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| <p><b>Abstract</b></p> <p>Nowadays in global business environment, it is essential for multinational companies to choose suitable marketing strategies in order to adjust to local characteristics of the foreign markets. The purpose of this study is to examine the choice of standardization and adaptation strategies in the marketing mix implemented by KFC fast food in Vietnamese market, it also integrates consumers' perception towards the case company's marketing mix implementation.</p> <p>The study focuses on investigating main elements of the marketing mix, they are product, price, place/distribution and promotion. Vietnamese market was selected thanks to its potentials for business expansion and its cultural differences in comparison with western markets. Additionally, KFC chain was chosen as an intensive case study since it was the first fast food brand to enter Vietnamese market and is now the leading brand in fast food segment, the brand is also well-recognized for its unique offerings based on local responsiveness in each overseas market.</p> <p>The theoretical framework of this thesis was constructed based on the literature of standardization and adaptation strategy, the marketing mix and the influences of culture on international marketing. In addition, the main sources of data were collected through secondary data, focus group interview, and the researcher's own observation. The research findings were in line with the theoretical framework by proving that the choice between standardization and adaptation is not a polarized one, marketers should find a mean to balance their global strategy and local adaptation in accordance with environmental factors, cultural differences and consumer behaviors across markets. Accordingly, KFC has made significant adjustment to each element of its marketing mix in Vietnamese market while maintaining its signature cooking methods and western dining customs. However, the main findings reveal that the degree of localization in KFC's marketing mix has exceeded that of standardization due to the big differences in culture and consumers' preference between the home market and the foreign market, especially in fast food sector.</p> <p>This research contributes some insights towards the discussion of standardization and adaptation strategies in cross-cultural setting. Also, the case of KFC fast food in Vietnam provides valuable suggestions for multinational companies to expand business and achieve their strategic plans in Vietnamese market.</p> |  |                 |                   |
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**UNIVERSITY  
OF TURKU**

Turku School of  
Economics

# **STANDARDIZATION VERSUS ADAPTATION STRATEGY IN INTERNATIONAL MARKET- ING MIX**

**The case of KFC in Vietnamese market**

Master's Thesis  
in Global Innovation Management

Author:  
Thu Mai Bui

Supervisor:  
D.Sc. Elina Pelto

14.5.2020  
Turku

The originality of this thesis has been checked in accordance with the University of Turku quality assurance system using the Turnitin OriginalityCheck service.

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# 1 INTRODUCTION

## 1.1 Background of the study

### 1.1.1 *Internationalization of fast food around the world*

Fast food industry has now been following the trend of internationalization since the industry has observed significant number of fast food brands expanding overseas. Thanks to urbanization, rapid economic growth, and busier lifestyle of households, western fast food companies have quickly emerged and developed in foreign markets. At the same time, the rise of middle-class generation with higher income and better living standards in countries with large population such as China, India, Indonesia, and Vietnam have made them appealing markets for foreign fast food franchises. They provide huge potential of partnerships, cheap labor force and material sources, as well as large consumer base in favor of western dining concept. In addition, many brands are facing harsh economic crisis and intense competition at their home market, for example, in the United States, some brands are prevented from obtaining bank loans and selling franchises (Avant, 2013). Internationalization has become an opportunity to gain revenue and new source of growth (Avant, 2013). As a result, some fast food brands operate greater international units than they do domestically (Daszkowski, 2018). For instance, there are more than 15,000 Kentucky Fried Chicken (KFC)'s restaurants abroad compared to around 14,000 inside the United States. Likewise, the number of McDonald's stores outside the country has increased to 21,914 in comparison with 14,344 inside the nation (Daszkowski, 2018).

However, overseas expansion comes along with tough competition both locally and internationally. Competitors are multinational enterprises (MNEs) who also pursue internationalization by entering cross-border markets with different size, industry and ranges of products and services. Additionally, foreign brands struggle with a series of challenges resulting from local responsiveness, particularly the differences in customer tastes and preferences. Importantly, these brands have no choice but to reduce costs in order to increase their competitiveness. They also modify or innovate their products and services that are easily replicated by their rivals, especially in fashion and food industries (Chen et al. 2013, 37). When Burger King, McDonald's and KFC – three of American largest fast food chains penetrated Chinese market, a fierce competition emerged. They adopted similar recipes on their menus to satisfy local tastes in order to gain market position in this large country. For example, Burger King has provided chili and chicken dishes which are more preferred over beef by Chinese customers. KFC quickly discovered the ad-

vantage of localizing their offerings, therefore, they designed a more attractive and suitable breakfast menu for Chinese tastes - pumpkin porridge, Beijing chicken rolls, and Chinese deep-fried twisted dough sticks (youtiao). Also, McDonald's customized an “off-the-menu” innovation including “dessert” kiosks serving sweet pastries and drinks which Chinese customers enjoy very much regardless their age differences (The Economist, 2008).

The case introduced above has indicated how cultures and norms, business environment as well as regulations of a foreign market affect MNE’s marketing mix. Therefore, it is important for companies operating in food sector to take local market’s perception into account, such as “local attributes of culture”, “local aspects of consumption” and “buyer behavior” (Dawson 2007, 12).

### ***1.1.2 Fast food industry in Vietnam***

As an active participant of the global integration network, Vietnam is considered as one of the fastest-growing economies in South East Asia, it is currently ranked by World Bank on the 68th position for ease of doing business (World Bank, 2019). After becoming the 150th member of the World Trade Organization in 2007, the country has opened door for foreigners to invest and operate businesses. Individuals and organizations are allowed to choose their areas of investment, the structures of their business and the methods to raise capital provided their choices are not forbidden by Vietnamese law, international treaties or commitments (Investment Policy Hub, 2014). As a result, it is easier to register a company in most industries that only requires one shareholder which can be either a corporate entity or an individual with any nationality (Quora, 2015). With these advantages and the fact that Vietnam has a huge population of 90 million people and great natural resources, the country has become an attractive destination to a lot of investors and business visitors. Figure 1 demonstrates the GDP growth of Vietnam in comparison with six Asian countries in the year 2016.

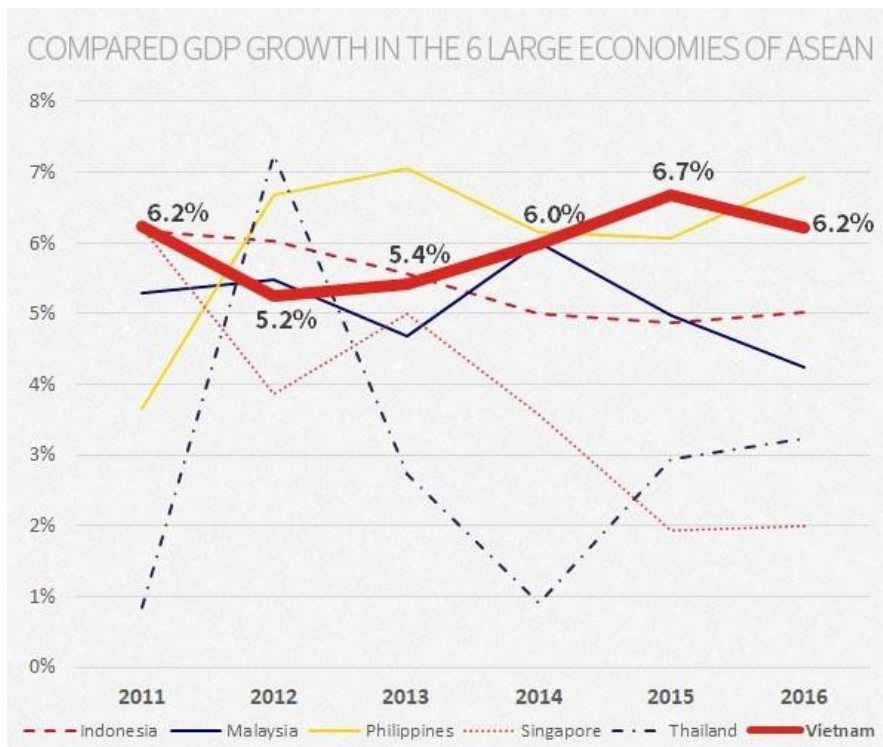


Figure 1 Vietnam growth infographic: comparison of economic growth with ASEAN-6 countries (Asean Up, 2016)

Since its opening to all business partners around the world, Vietnam has emerged to become one of the fastest growing economies in Southeast Asia, obtaining the GDP growth at 6.2% in 2016 (Asean Up, 2016). Transferring from an agricultural economy, Vietnam has always acknowledged its potentials to become a leader in production and exportation while developing certain dynamic industries. International firms entering Vietnamese market are offered not only professional and skillful workforces, but also a wide range of high-quality resources including food material which can be quite appealing to those food industries.

Over the last decades, Vietnam has been in the wave of internationalization in fast food segment. When the trend arrived in Vietnam, fast food was still a brand-new concept in the market dominated by street snacks due to the fact that Vietnamese consumers prefer more traditional fast food, such as Pho noodles, Banh Mi baguette and Spring rolls, etc. (Promar Consulting, 2013). However, nowadays it has become easier to find a western fast food restaurant with great views and full cooling system. The term “fast food” refers to the food with low preparation time, preheated or precooked ingredients inside which is wrapped with papers or boxes for take-away (Ninh et al., 2015). The mass appearance of foreign fast food chains is spreading not only in industrial centers and big cities, but also in small towns all over the country. Figure 2 depicts how revenues in fast food sector have been skyrocketing from the early 1997 up to 2014.

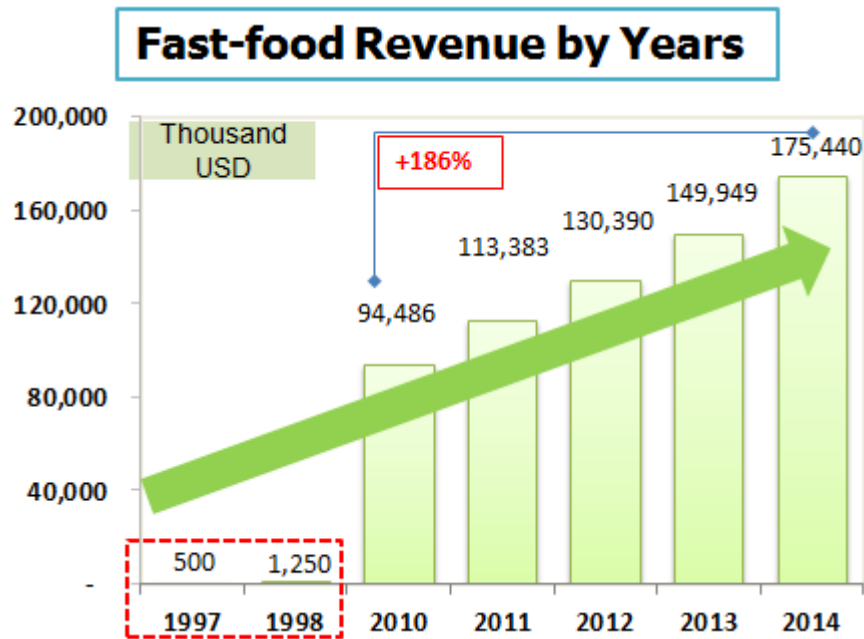


Figure 2 Fast food revenue by years in Vietnam (Ninh et al., 2015)

As can be seen from Figure 2 above, revenue in fast food industry has doubled in only a short period of time from 1997 to 1998. The business then witnessed a massive gain of 186% in revenue, from USD 94 thousand in 2010 to USD 175 thousand in 2014. In order to achieve fast growth and compete with traditional Vietnamese food, most of fast food chains have chosen to go premium by targeting higher-end consumers. The new-born market has become more competitive than ever, involving several big players all over the globe, such as KFC, Lotteria, McDonald's, Jollibee, Pizza Hut, Domino's, Popeye's, Burger King, Carl's Jr and Subway, they have created a major influence on the food industry and restaurant sector, from sourcing and operations style to marketing and promotion strategies (Promar Consulting, 2013).

Lotteria has been evaluated as a leading fast food chain in Vietnam since 1998 and it has conquered the market with 222 stores across the country. Lotteria reached the record of increasing the number of stores by 150 per cent between the year 2013 and 2015 with approximately 20 stores launched every year (Vietnam Investment Review, 2018). The Korean fast food giant has developed strategic plan of making hamburger as their primary product. This business choice led to huge success in 2010, when Lotteria captured the most 70% of the market share, whereas KFC only accounted for 20%, Jollibee modestly obtained 5%, and the last 5% was shared by other home brands (Nhịp cầu đầu tư, 2010).

Another Asian-origin chain that is developing non-stop in Vietnamese fast food market is Jollibee. The Philippines's chain is continuously spreading their influence by looking for brand concession beneficiaries. According to Mr. Jojo Subido, Jollibee Vietnam's general manager, the company invested USD 5 million for the market research and development in Vietnam in 2010 (Nhịp cầu đầu tư, 2010). It recently attained controlling

stake over SuperFoods Group and the famous noodles chains PHO24 which has formed a competitive scenario in fast food industry (Vietnam Investment Review, 2018).

According to Rama (2018), young adults and children are the main loyal customers of western fast-food chains, whereas the elders are still following the traditional street food. Some analysts have highlighted western-wannabe trend existing among Vietnamese community, which foster them to consider fast food as fashionable and wealthy (Ngoc Lan, 2017). As the demand is getting higher along with the boom of international fast food franchises, fast food chains have striven to offer more innovative and localized products to capture the favor of Vietnamese society. Vietnamese consumers prefer diversity in food, therefore frequent new dishes in accordance with culture can always attract them.

Fred Burke, the managing partner of the law firm Baker McKenzie and the chairman of Ho Chi Minh City chapter in American Chamber of Commerce in Vietnam has evaluated the entrance of fast food companies as an "appropriate" action that might struggle with "complicated infrastructure problems and resistance from the government" (Boisclair & Coeyman, 1997). According to Mr. Nguyen Huy Thinh, the General Manager of McDonald's in Vietnam, "Customers are not afraid to try new food, but customer demand doesn't stop at simple food. There is also a desire to experience quality service in beautiful spaces" (Ngoc Lan, 2017). The fact that customers' constantly changing preferences in different demographics has created huge pressures on fast food brands during their internationalization in Vietnam.

### ***1.1.3 KFC fast food brand in Vietnam***

This research chooses KFC fast food chain as the case study since it is recognized as an "early bird" in Vietnamese fast food industry, even though the consumers were not familiar with the taste of this kind of food and drink. KFC is a brand and operational segment owned by Yum! International Restaurant Group in the United States (KFC Vietnam, 2019). As the name suggests, KFC offers fried chicken as its most famous dishes, as well as fresh chicken products in general. Colonel Harland Sanders, the founder of KFC, created his secret recipe of eleven herbs and spices and a distinct cooking technique which are still applied in every plate to preserve special flavor for their products (KFC Vietnam, 2019). KFC also stands out for maintaining their cooking quality, as all their chefs must go through compulsory training courses to ensure the group's standard of flavor and nutrition in all dishes they serve to customers. As a result, their franchises are spreading all over the world with more than 20,000 restaurants located in 109 nations and regions (KFC Vietnam, 2019).

KFC first appeared in Ho Chi Minh City in 1997 and its contract was known as the pioneer international fast-food agreement signed in Vietnam (Boisclair & Coeyman,

1997). By 2010, KFC was still the main western franchise along with several small players, operating in Vietnamese market (Promar Consulting, 2013). KFC soon noticed the significance of diversifying products by offering unique menus and developing new dishes based on Vietnamese dining styles. Vietnamese consumers' preferences of fast food are considered to be so different that even the original means of fast food are changed. For instance, KFC has focused on local taste by exploiting several special options, such as "Big 'n Juicy" with bigger portions for the whole family or group and "KFC Chicken rice" served for the customers who prefer traditional food. Furthermore, the fast food giant has continuously satisfied Vietnamese consumers' tastes by utilizing new ingredients to create new dishes such as Shrimp burger and Lipton tea (KFC Vietnam, 2019).

As a result, KFC remained to be the winner in fried chicken sector. The fast food chain continuously expanded their presence in Vietnam with more than 140 restaurants in total 21 cities. Also, the company has contributed to decrease the unemployment rate by providing jobs for 3,000 people so far (KFC Vietnam, 2019). The successes that KFC achieved has demonstrated an important lesson for other fast food brands regarding their products, prices, choices of location and distribution systems.

Nevertheless, due to the harsh competition brought by cheap traditional street food and the invasion of other giant fast food chains such as McDonald's and Burger King, KFC struggled a lot to gain the market position in the beginning as it had seven years of decrease in profit since the first store was opened. Additionally, all the costs including operation, raw materials, storage and labours that KFC spent in Vietnamese market have shrunk its expansion of business. Another reason led to the profit loss was the fact that Vietnamese customers tend to prefer fresh chicken that can be cooked at home over the frozen one. KFC has always been hindered by this issue as its chicken dishes were often criticized for being fried with trans-fats oil which carried a great amount of calories and caused obesity (Pratap, 2019).

Consequently, KFC underwent a slow growth in the quantity of stores with only 17 stores after seven years of the business (Tung, 2016). The company's financial report in Vietnamese market emphasized its difficulty in generating profit in the year 2018 as the chain gained VND 1.48 trillion in revenue along with the growth of 7.5% over 2017, but there was a big down fall from an 18.3% expansion in the previous year (Hanoitimes, 2019). Moreover, it was forecasted that the international fast food brand would continue to fall due to very low-value sales growth (Vietnam Investment Review, 2018). Mr. Ngo, the CEO of VF Franchise Consulting Group, has blamed this slump on external market factors, including the high-pressure competition for both local and cross-border firms, high rental and labor costs resulting from the rise of minimum wages in service industry, as well as limited material supply at affordable rate (Vietnam Investment Review, 2018).

Another factor leading to the limit growth of this giant fast food chain in Vietnam is high price in real estate and infrastructure (Promar Consulting, 2013). The ideal spots for café stores or fast food chains always locate around crowded area like offices, schools and department stores. At the same time, the price of real estate for these attractive locations are difficult to afford to open more stores. Also, the lack of warehouses and some external kitchens which should be nearby, reliable and equipped for storing and processing food was big issue for fast food chains like KFC (Promar Consulting, 2013).

However, instead of accusing environmental causes, should KFC consider its marketing strategies to overcome all these threats from the market and reverse the current situation? Is it a good idea to standardize their services and product variation to reduce costs during their expansion in this market? Or would it be better to localize the flavor and design of the food along with other factors in their marketing mix based on local preference? After all, the main purpose of any service provider including those in food restaurant sector is to meet customer's demand and expectation.

## **1.2 Research purpose**

The gap in this research lies in geographical perspective regarding the researched market. A large number of analysis have been conducted in term of KFC's internationalization process in more developed markets with high demand for fast food, such as Germany, Japan and China (see Chen et al. 2013, 37-45; Harrington et al. 2017, 551-570; Schrage 2018, 207-227). However, limited studies have been done concerning marketing mix tactics that KFC has implemented in a small and traditional market, yet potential and dynamic like Vietnam. This is an emerging market with fast growing economy and highly developed technologies, which enable Vietnamese consumers to be quickly updated with international trends and brands. However, the country is remaining to be developing with tradition and cultures that greatly affect attitudes towards foreign products and services. For instance, in food industry, consumers' preferences and brand awareness might be changing all the time, therefore, this study can be used as a contribution to the field of international marketing under the term of marketing mix tactics, but rather from the viewpoint of small, developing and cultural-based market.

According to Kleef et al. (2005, 181), the perspective of consumers who actually purchase and use the products has often been underestimated or even ignored. However, the truth is that consumers are considered quite powerful on new product development as they are the ones who make the decision whether to continue to support the products the future. Consumers' opinions can "raise the odds of success" of new offerings launched in the new market, as well as contribute to eliminate any new items that carry low chance of success (Kleef et al. 2005, 181-182). As a result, it is critical for companies to analyze



consumers' attitude towards the products and services that leads to their decision of purchase. This thesis aims to make a contribution to this research gap by integrating consumers' opinion throughout the case company's marketing mix implementation.

The main purpose of this research is to *investigate the choice of standardization and adaptation strategies in the marketing mix that KFC fast food has executed in Vietnamese market*. In the context of a global brand, this research analyzes how the company implements its marketing mix, then evaluates the effectiveness of these tactics in satisfying consumers' demand. There are three research questions proposed in this thesis through the case of KFC fast food in Vietnamese market:

- 1) To what elements of the marketing mix does the case company adopt standardization strategy in Vietnamese market?
- 2) To what elements of the marketing mix does the case company apply adaptation strategy in Vietnamese market and how?
- 3) How do consumers perceive and evaluate the case company's standardization and adaptation strategies of its marketing mix in Vietnamese market?

The marketing mix addressed in the research includes four key elements - Product, Price, Place and Promotion. The research questions focused on products, services and how they are modified to fit the new market. In addition, the pricing policies were also discussed along with the sales promotion activities and the advertising for its offerings. At last, store location and distribution channels were investigated.

## **2 BUILDING AWARENESS OF STANDARDIZATION AND ADAPTATION STRATEGIES IN INTERNATIONAL MARKETING**

In this study, the theoretical framework is built on concepts and theories that involve international marketing strategies, standardization and adaptation in the marketing mix and cultural impacts on international marketing. Firstly, several marketing strategies are discussed and compared in terms of their characteristics, their usages in particular markets and determinants influencing the choice of suitable strategies for these markets. Secondly, the application of standardization and adaptation strategies in the marketing mix is examined to explain the reasons for pushing firms towards these two marketing approaches. Also, the link between standardization and adaptation strategies is highlighted. Thirdly, the impacts of culture on consumers' buying behavior are analyzed to better understand the relationship between culture and firms' marketing strategies.

### **2.1 International marketing strategies**

The choice of marketing strategies can determine the success of an MNE when it enters a new market. The marketing research discuss literature discusses several international marketing options, including standardization, adaptation, and their feasible alternatives.

Standardization refers to the homogeneity of products and services in all markets that MNE is operating. The reason for choosing standardization strategy is that consumer's demands and preferences do not vary between domestic and foreign markets. Thanks to the development of communication and advanced technologies, business markets around the world are becoming more alike in terms of environmental factors, customer requirements and geographical locations (Vrontis et al. 2009, 478). The greatest advantage of standardization strategy is cost saving which allows MNEs to focus on building a strong brand's value of consistency and uniformity. For instance, standardization is mostly implemented through mass production in the case of Coca Cola. This beverage manufacturer decided to maintain its product appearance to be relatively unchanged between different markets. Additionally, the company adopted consistent design theme even though different languages were attached to the products (Kenton, 2018). As products are distributed the same across all foreign markets, Coca Cola is beneficial from low cost, low risk, and the ease of launching new products in any markets. The suitable marketing strategy has contributed to Coca Cola's huge success in America and in more than 30 countries around the globe (Coca Cola, 2016).

Adaptation strategy emphasizes the adjustment of the products and services based on unique characteristics of international markets. Authors who support adaptation strategy

argue that despite the increase of globalization, variations in different countries and regions are still significant in terms of consumer needs, purchasing power, commercial infrastructure, cultures, laws, and technological development (see, for example, Kotler 1986, 13-15; Boddewyn et al. 1986, 72; Douglas & Wind 1987, 20), therefore, MNEs need to conduct research on the targeted market in order to adjust their marketing mix to fit the market requirements (Theodosiou & Leonidou 2003, 142). By studying the diversity of consumer needs across nations, firms can gain customers' satisfaction and competitive position in each market, which results in long-term customer relationship and profitability.

In comparison with standardization strategy, adaptation takes cultural differences into consideration, which has a direct impact on brand selection, buying motivation and buying behaviors of the consumers, therefore, adaptation strategy can take advantage of these cultural differences to create new business opportunities for MNEs. Chinese market can be used as an example in this scenario. The country has been well-known for its ancient and diverse cultures of thousands of years, the diversity is represented by religion, food, style, language, marriage, music, morals and many other aspects which are created and contributed to the community by individuals (Zimmermann, 2017). When the world's giant retailer Walmart entered Chinese market, its marketing team identified the great differences between western and Chinese cultures in order to customize products. Instead of selling packaging products and dry food, all Walmart's stores have been providing fresh meat which is traditionally preferred by Chinese buyers. Thanks to the proper adaptation strategy, Walmart has expanded to 180 cities in China (WPXI, 2018), and its profit gained in China market accounted for nearly 4% of the company's total international sales in the third quarter of fiscal year 2017 (Nasdaq, 2017).

Additionally, Vrontis (2003, 284) has confirmed the continuous debate towards two approaches regarding the success of international marketing strategies. Probably one of the most renowned studies that promotes global standardization belongs to Levitt (1983), in which he claimed that single marketing strategy should be applied in firm's marketing mix in a foreign market in order to accomplish substantial economies of scale while promoting its global values. Moreover, several researchers on the ground (see, for example, Doz 1980, 27-28; Levitt 1983, 93) have asserted that companies have now converted their strategy from customizing their products and services into worldwide standardizing, at the same time, "advanced, functional, reliable and low priced" consumer goods are provided (Vrontis 2003, 284). This transformation can be achieved with the help of the development of technology since it is able to enhance cross-border communication, transportation and information capital (Levitt 1983, 93-94).

On the other side of the debate, academics who advocate the need for adaption in multinational firms' marketing mix questioned the efficiency of single standardization regarding whether this strategy can meet consumers' needs. The fact that each country has

its independent regulations, and the citizens are proud of their languages and traditions, has affected consumer behaviors, thus, these dissimilarities has prevented international marketers from adopting standardization (Quelch & Hoff 1986, 59; Kanso & Nelson 2002, 79). Also, Vrontis (2003, 284-285) considered international marketing as a dynamic and fascinating combination of “science and art of business” drawn on history, economy, politics, culture and norms, languages, climate, and natural environment. These dimensions are all on national level, they encourage MNEs and individuals to explore. Adaptation strategy allows marketers to deeply penetrate these national characteristics, hence, firms can improve market share and sales volume while quickly reacting to changes in consumer preferences (Katsikeas & Theodosiou 2001, 4-5).

To overcome the challenge of determining suitable marketing strategies during the internationalization process, Theodosiou & Leonidou (2003, 143-144) have proposed a conceptual model (see Figure 3) for marketers to analyze “antecedent factors”. These factors are defined as “contingency variables that affect the decision to standardize or adapt the firm’s marketing strategy in a specific foreign market” (Theodosiou & Leonidou 2003, 143-144).

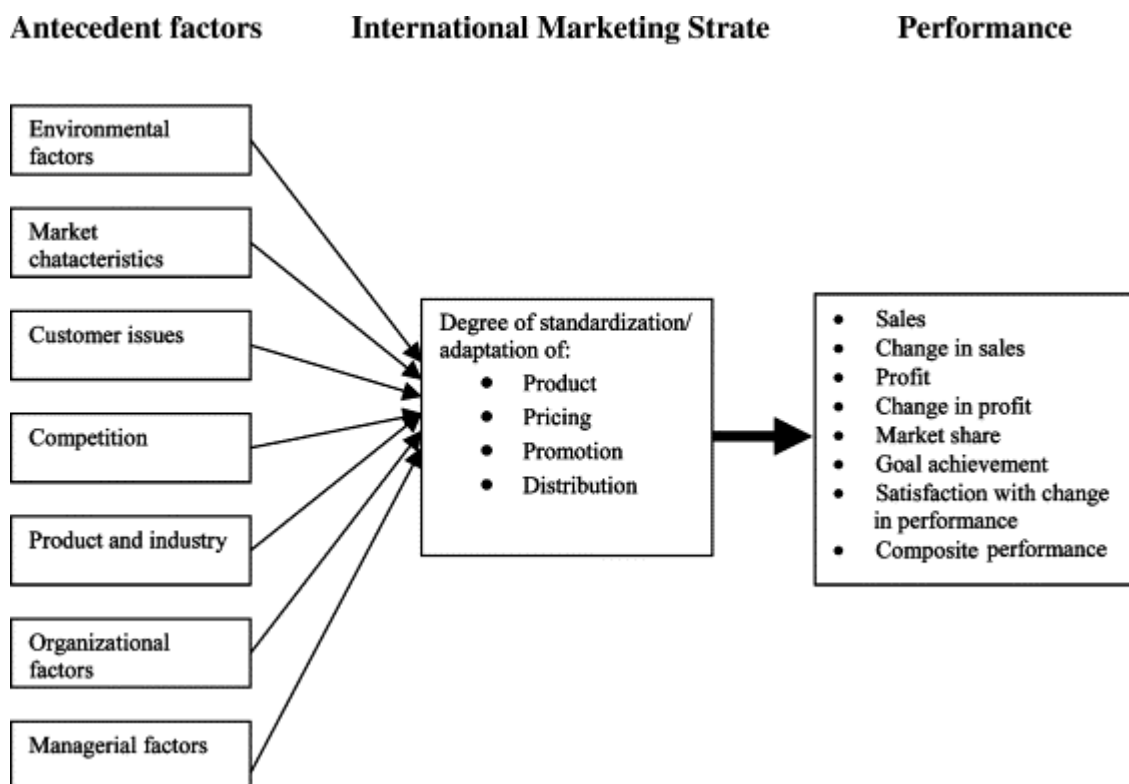


Figure 3 A conceptual model on international marketing strategy standardization/adaptation (Theodosiou & Leonidou, 2003)

Environmental factors are “economic, sociocultural, political-legal, and physical forces” which influence international business both directly and indirectly (Theodosiou

& Leonidou 2003, 149-154). These forces have shaped and constructed the country; therefore, they are able to interfere with the firm's ability to pursue standardization (Douglas & Wind 1987, 25). Also, the researchers have emphasized that sociocultural and physical components are greatly disregarded among these forces. Another antecedent factor is market characteristics, and they are represented by "marketing infrastructure, advertising media availability, distribution structure, and market size" (Theodosiou & Leonidou 2003, 154). These characteristics will decide the level of intellect, complication and development of the foreign market.

According to Theodosiou and Leonidou (2003, 154), customer issues are associated with "characteristics/behavior, tastes/preferences, and usage patterns" of the consumers in cross-border market. Firm who can satisfy customers' needs and demands better than its rivals do will achieve success. Researchers believe that this antecedent element has the most influence on the decision between standardization and adaptation as the more similarities in customer backgrounds home and oversea markets possess, the greater chance one firm has to apply the standardization (Ozsomer et al. 1991, 60; Katsikeas & Theodosiou 2001, 8).

Competition factor involves structure, nature and intensity of the business race. Academics have reported that competition factor creates pressure on firms to customize their marketing strategies in order to gain competitive advantage over competitors (see, for example, Douglas & Wind 1984, 26; Cavusgil et al. 1993, 489, 499). Another variable described in the model is product and industry which refer to the variety of products and services, the industrial ground of the industry and the product life cycle. The industrial ground of the market is an orientation of cost allocation on research and development that an oversea company spends in the long run. The life circle of product also has significant impact on the choice of marketing strategies due to the fact that a standardized marketing strategy can take advantage of the market where the product is in the same point of its life cycle.

Organizational factors mentioned by Theodosiou and Leonidou (2003, 155) consist of all the firm's internal characteristics and working environment. This element covers four main aspects. Firstly, "the nationality of parent company" affects product and advertising tactics. Secondly, "the nature of company ownership" determines the level of standardization, which is higher in wholly owned subsidiaries than in joint ventures. Thirdly, "the firm's international experience" is related to how firms deal with adaptation abroad. Fourthly, "the foreign market share position" has little or no impact on marketing strategies (Theodosiou & Leonidou 2003, 155).

The final antecedent factor is managerial factors which focus on decision making and corporate orientation. Standardization strategy is easily implemented when decision making is directed by the firm's headquarter (Ozsomer et al. 1991, 50). In term of corporation orientation, Akaah (1991, 49-50) confirmed that this component concerns promotion

strategy and it has no interaction with product, pricing, and distribution method in standardization.

Lee and Carter (2009, 286) have also contributed to the argument between standardization and adaptation strategies. The researchers investigated several marketing resolutions that focus mostly on customer orientation.

- A combination of cost-saving and standardization marketing strategy aims at serving price-sensitive and middle-class customers. In this segment, international firms offer products and services for convenience and basic needs.
- A combination of adaptation method and the customer base in the target market produces similar product ranges. However, there are differences in product and service's characteristics based on the antecedent factors, as a result, background forces and constraints are formed by these factors in the foreign markets.
- A combination of customer-oriented strategy and customization tactic based on cultural diversity can satisfy customers who appreciate abstract values and leisure activities. For instance, the core products and services might be designated to serve in a special holiday in the targeted country.
- A global innovation strategy that fits world-wide comprehensive sections can intrigue "reliability, longevity, leisure, and aesthetic values" (Lee and Carter 2009, 286).

Additionally, Lee and Carter (2009, 287) has paid attention to ethical and social responsibility in MNEs' management policies. As global consumers are aware of health care and the quality of the food and drinks, international brands have to modify their core items when entering a health-sensitive market. Their advertisement campaign is also re-designed to allege junk food and encourage consumers to cut down on fat, sugar, as well as alcohols. Furthermore, environment is getting more attention regarding the greenhouse effect and high level of pollution. Global brands which are against the agreement on greenhouse gas emission tend to get boycotted by the consumers, and this often leads to lose their market stand.

The "antecedent factors" along with ethical and social responsibility are measurements for MNEs to choose proper marketing strategies for their global expansion. One firm may maintain its standardized business formula and sets of offerings in the new market, but it has to conduct product adjustment to meet the market demands. As a result, several studies have asserted that marketing strategies should not be separated from each other, they should be seen as coexisting methods deployed within the same company, product line or brand (see, for example, Quelch & Hoff 1986, 59; Douglas & Wind 1987, 28; Kanso & Nelson 2002, 80; Vrontis et al. 2009, 479).

In favor of finding an alternative strategy to balance standardization and adaptation, researchers suggest that a business can adopt contingency method (Cavusgil et al. 1993,

483; Katsikeas & Theodosiou 2001, 5), this method can be achieved based on three main perspectives (Theodosiou & Leonidou 2003, 142-143). Firstly, standardization or adaptation should not be contrasting methods, they are the two ends of one internationalization process within which the degree of the firm's marketing can fluctuate. Secondly, the selection of standardization or adaptation is based on specific situation. When marketers bring their firms to foreign market, they should conduct comprehensive research in order to assess contingency qualities in that market at a specific time. Thirdly, company performance plays an influential role on the appropriateness of standardization or adaptation strategy, therefore, managers should evaluate internal business factors of the firms in accordance with the conditions of international markets.

## **2.2 Standardization and adaptation in marketing mix**

Marketing mix is one of the core concepts in the field of marketing, the concept was argued to be first used by Borden Neil H. (Rafiq & Ahmed 1995, 4), who simply explained the concept as (Borden 1984, 7):

- a list of important elements or ingredients that make up marketing programs
- a list of the forces that bear on the marketing operation of a firm and to which the marketing manager must adjust his search for a mix of program that can be successful.

McCarthy (1964, 35) further redefined the term marketing mix as “a combination of all the factors at a marketing manager's command to satisfy the target market”. As a result, the essence of marketing mix lies in its controllable variables that can be utilized to launch the firms' products and affect buyers' responsiveness (Singh 2012, 40).

The variables in the marketing mix have been constantly modified by several researchers (see, for example, Lazer et al. 1973; Borden 1984). Perhaps, the most well-known marketing mix framework has been the one suggested by McCarthy (Rafiq & Ahmed 1995, 5). The researcher reduced and rearranged 12 elements in Borden's original marketing mix in order to conduct the 4Ps model including four factors: product, price, promotion and place (McCarthy 1964, 38). It was later being argued that a good marketing approach should incorporate the characteristics of service, such as the actors, the physical environment and the flow of activities surrounding the services (Bitner 1990, 70; Rafiq & Ahmed 1995, 6-7). Therefore, an extension of 4Ps model was established by adding three new elements to the traditional marketing mix: participants, physical evidence and process. However, this extended 7Ps model was assessed to be lack of uniform support and more complicated than the 4Ps, since the extra elements can also be integrated to the existing four elements (Rafiq & Ahmed 1995, 13). As a result, this thesis focuses only on the four elements of the traditional marketing mix.

In the 4Ps model, product can be both tangible and intangible goods that are purchased by consumers, it is evaluated as a key variable of the marketing mix (Singh 2012, 41). Price element is the amount of money that consumers are willing to pay in exchange for the offerings, its level is dynamic and varies constantly based on several contingency factors (Singh 2012, 42; Katsikeas & Theodosiou 2001, 6-8). Another component of 4Ps model is promotion, it is the set of techniques that firms use to inform, persuade and recall customers about their brands and products in the market (Kotler & Keller 2007, 279). The last element of the 4Ps is place which represents mechanisms that transfer products and services from the manufacturer to consumers (Singh 2012, 42).

Apparently one of the most well-known models regarding the relationship between standardization, adaptation and the marketing mix belongs to Vrontis (2003, 286). His model on tactical behaviors in marketing described in Figure 4 contributes to evaluate the degree of significance of reasons behind the choice of either approach.

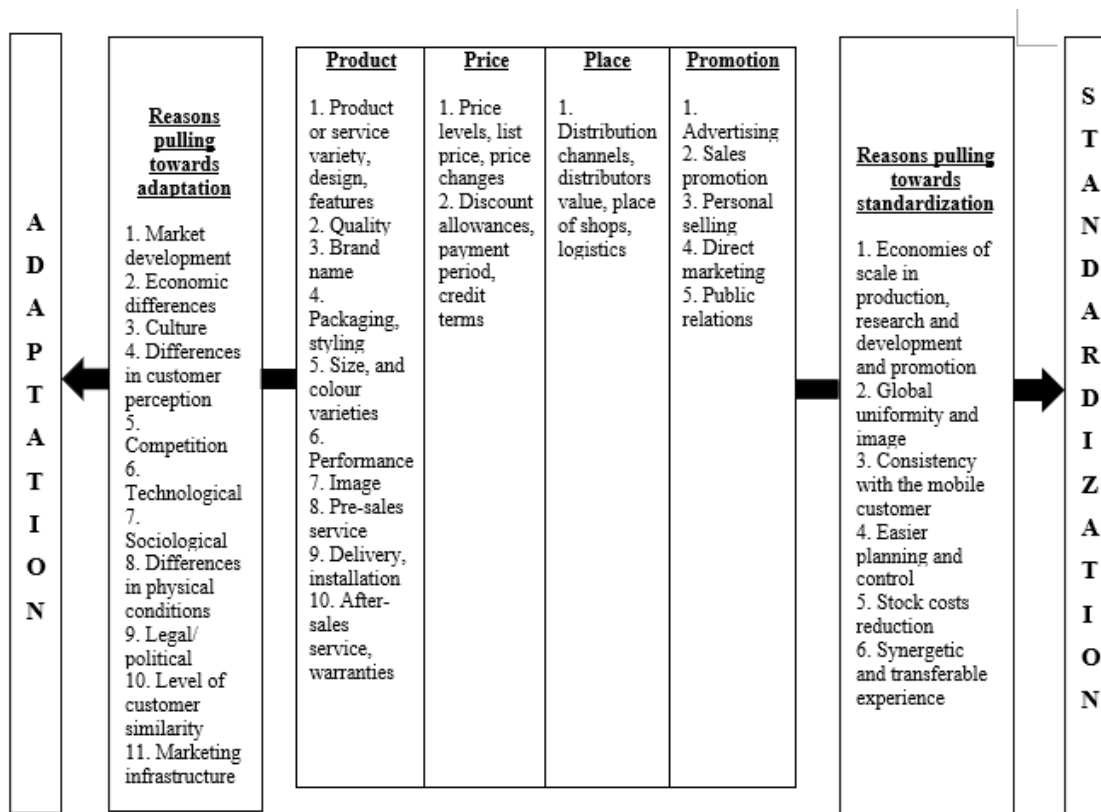


Figure 4 Standardization/Adaptation with tactical behaviors in marketing (adapted from Vrontis et al. 2009, 483)

According to Vrontis (2003, 290-294), product is the most standardized element in the marketing mix, which involves product quality, brand name, image, performance, size and color. A high degree of standardization is also applied to sub-product elements in-



cluding packaging, styling, pre-sales services, after-sales services, delivery and installation (Akaah 1991, 54-58; Vrontis 2003, 290-294). However, Cavusgil et al. (1993, 498) shared an opposite opinion in regard to sub-product factors that international firms tend to rely on adaptation of packaging, styling and designing in order to enhance the viability of the products. Additionally, the authors argued that an inexperienced company is more likely to find the closest connection between its current products and the targeted market's characteristics in order to maximize standardization, whereas a firm with greater experiences would respect the differences and strive to response to the uniqueness of each market with a view to gaining competitive advantage (Cavusgil et al. 1993, 486). Vrontis and Kitchen (2005, 99-100) also contributed some insights towards product element of the marketing mix, they suggested that franchising and licensing are the most standardized entry modes, whereas indirect exporting and direct investment are more frequently adjusted by foreign companies when they enter cross-border markets. The reason behind this trend is that franchising and licensing require standardized products to follow the parent companies' requirements, while direct investment and oversea production are more flexible to local demands.

Price is the most adapted factor among four marketing mix variables when any firm enters an oversea market (Kotler 1986, 14; Brei et al. 2011, 279). Price adjustment is represented mostly in price levels, list price and price changes, while adaptation put little stress in other price elements, such as discount allowances, payment period, and credit terms as these elements are always designated to follow the market needs and demands (Vrontis 2003, 290). Furthermore, Quelch and Hoff (1986, 62) has emphasized the interaction between the level of price adaptation and other elements of the marketing mix. They discussed that in the scenario of a product with the same brand name being sold in different countries, it can be challenging or even impossible to sell them at customized prices.

Another core element of the marketing mix is promotion, it ranks second in adaptation trend. Great adaptation extent is shown in sales promotions, public relations and personal selling, while a smaller status of adaptation is seen in direct marketing and advertising (Vrontis 2003, 290). Vrontis and Kitchen (2005, 99-100) also proposed that promotion is the second most localized element of the marketing mix. They argued that promotion tactic could obtain limited or little value if it is not adapted for export market, and different promotion activities should be conducted in order to "suit the different consumer attitudes of that country", as well as "keep in line with differences in message, media requirements and legal aspects of promotions in different countries" (Vrontis and Kitchen 2005, 100). Nevertheless, foreign firms are recommended to identify homogeneous market segments with the same demands across nations so that feasible standardization approach can be implemented to market these similar segments (Levitt 1983, 94; Jain 1989, 73).

Multinational companies tend to apply large extent of adaptation to their place/distribution element in comparison to that level of standardization (Vrontis 2003, 290). According to Vrontis and Kitchen (2005, 100), firms acknowledge the essence of transferring core capabilities and knowledge to the destination market in maintaining global branding. However, the “local market conditions” and “different cultures in different markets” are still the key requirements that force international firms to adjust distribution strategy to a proper degree. Still, Levitt (1983, 100) argued that a standardized distribution system which is focused and controllable should be taken into consideration in order to improve other categories of the marketing mix such as product-installation service, price levels and credit terms.

The model by Vrontis (2003, 286) has demonstrated a variety of reasons that push international firms towards adaptation approach, they are culture, market development, economic differences, diverse in customer perceptions, competition, laws, technological and sociological considerations. Cultures has become the most appreciated element when marketers want to take their firms cross borders successfully (Karim 2015, 184). Additionally, market development, competition, economic differences and sociological consideration can help build the firm’s competitive advantages in oversea markets (Jain 1989, 74; Samiee et al. 2003, 618). Laws and regulations support or restrict the firms (Jain 1989, 75; Katsikeas & Theodosiou 2001,7), while the similarities or differences in customer perceptions will decide the firm’s marketing approach (Douglas & Wind 1987, 22; Katsikeas & Theodosiou 2001, 8, Samiee et al. 2003, 617). The remaining reasons in the model are evaluated to be less important (Vrontis 2003, 291). Nevertheless, Jain (1989, 75) has proved that marketing infrastructure and physical conditions of the new market such as climate, resources also have great implication for the choice of marketing strategy. Therefore, they should not be neglected if firms desire to achieve success abroad.

On the left side of the model, Vrontis (2003, 286) has listed main reasons that drive multinational firms to pursue standardization approach. Several papers have confirmed global uniformity and image to be the key reason behind standardization, as foreign firms always want to foster their global brands and specialties in order to differentiate themselves from competitors (see, for example, Douglas & Wind 1987, 24; Papavassiliou & Stathakopoulos 1997, 504; Samiee et al. 2003, 616). Additionally, standardization enables marketers to reduce costs, earn bigger margins and assure competitive position while they achieve profitability (Doz 1980, 28; Levitt 1983, 92). As a result, economies of scale in production, research, development and promotion become the second critical reason for standardization. Synergetic and transferable experience is assessed as the third important reason for standardization due to the fact that most companies prefer to apply the same strategies in their home countries, standardization then enables them to execute single tactical approach (Vrontis & Kitchen 2005, 89). Among all reasons, the less important

ones are consistency with the mobile consumers, easier planning and control, as well as stock cost reduction (Vrontis 2003, 291-292).

No matter what modification is made in the firm's marketing mix, customers are the ones who have the privilege to decide whether to purchase and further support the products and services. Culture also affects consumers' buying behavior and consumption decision by triggering their desire and demand. The customers then choose to purchase products and services that meet their need, or they can refuse the ones that do not. In other words, culture has the ability to make or break business of any international firm (Lee & Carter 2009, 135), therefore, it is crucial for companies to examine cultural characteristics of targeted markets in order to understand their impacts on strategic planning and marketing.

### 2.3 Cultural impacts on international marketing

Luna and Gupta (2001, 47) has investigated the mutual interaction between culture and consumer behavior through the model in Figure 5. The model includes three elements: Cultural value system, marketing communication, and consumer behaviors.

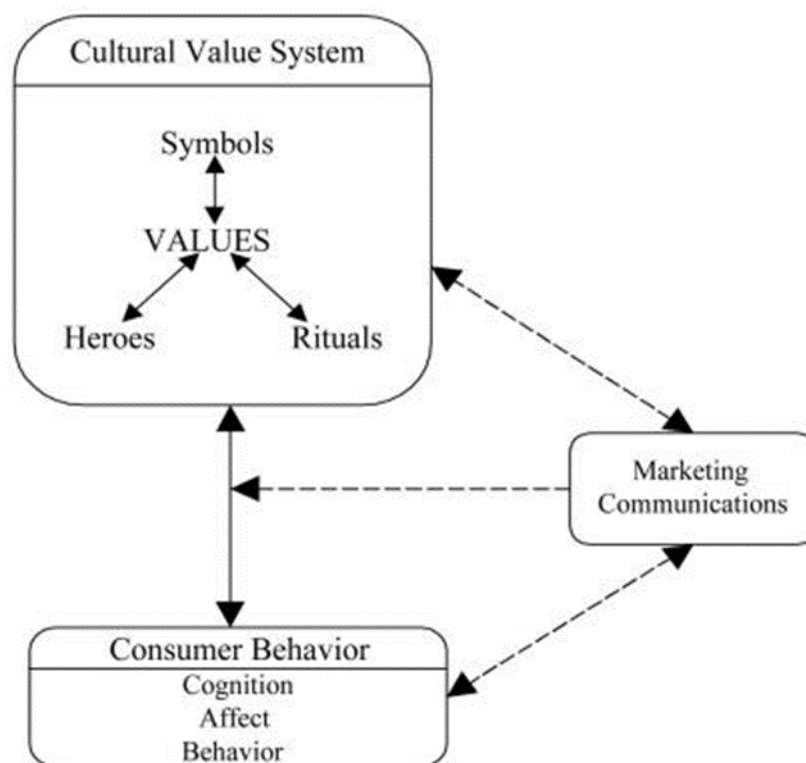


Figure 5 A model of the interaction of culture and consumer behavior (Luna & Gupta 2001, 47)

As can be seen in Figure 5, Luna and Gupta (2001, 50-51) have confirmed the central role of values among four components in cultural value system. Their mutual relationship is also depicted in a way that symbols help formulate values among society and convey the meaning of values from individual to one another. Heroes represent the members in society, they redefine and develop the existing cultural values. Additionally, values cannot be reinforced without the existence of rituals, these factors encourage people to believe and revise the existing values.

According to Luna and Gupta (2001, 48-50), values are located at the heart of culture and they are the explanation of most buying habits. Every culture is controlled by its own value system which is inherited from one generation to another. There has been several definition and classification of values which have evolved throughout history (see, for example, Rokeach 1968, 16; Vinson et al. 1977, 44-45; Boninger et al. 1995, 63), however, Luna and Gupta (2001, 48) preferred to cite that “the values preferred by a group of people separate them from other groups and thus cultures can be compared with each other using values as a standard”. By applying this judgement, five dimensions of national cultures stated by De Mooji and Hofstede (2011, 182) are considered, including power distance, individualism/ collectivism, masculinity/ femininity, uncertainty avoidance and short- versus long- term orientation.

Multiple studies have investigated culture and its components so far. Baligh (1994, 16-19) specified key components of culture including Truth, Beliefs, Values, Logic, Rules, and Actions, as well as their connection to each other. Other researchers proposed a value systems model by dividing culture into three dependent levels – Global Values, Domain – Specific Values, and Evaluations of Product Attributes, they also underlined external factors that influence these cultural levels (Vinson et al. 1977, 45-46). Yet Hofstede’s five dimensions of national cultures is perhaps the most widely applied and accepted model on cross-cultural consumer behavior analysis (De Mooji & Hofstede 2011, 181, Soares et al. 2007, 280).

As suggested by De Mooji and Hofstede (2011, 182-183), the first dimension of culture is power distance, it refers to the extent of power inequality in society accepted by the less powerful members. Global brands need to pay attention to this element, as it can shape information exchange behavior among individuals with different social status (Dawar et al. 1996, 512), and perception towards media advertisement of the firms (Albers-Miller & Gelb 1996, 63, 67-69).

The second dimension indicating a country’s culture is the contrast of individualism and collectivism. Individualism society includes individuals that looking after themselves and their immediate family, whereas in collectivism society, people belong to groups that look after them in exchange for loyalty (Soares et al. 2007, 280). People following individualism consider their values as center in the whole world, hence, Taylor and Okazaki

(2006, 115-116) have suggested that standardization strategy is a wise choice in an individualism cultural market. On the other hand, collectivism culture appreciates social system, harmony, relationship, understanding and trust among people (Yeniyurt & Townsend 2003, 380; De Mooji & Hofstede 2011, 182), therefore, a good marketing strategy in collectivism culture should create trust and friendship image. It is also argued that in individualist society, consumers tend to be more open to product innovation compared to those in collectivist group (Yaveloglu and Donthu 2002, 56; van Everdingen & Waarts 2003, 221).

The next dimension in Hofstede's model is the difference between masculinity and femininity. In masculine society, wealth, performance and accomplishment are mainstream (Steenkamp et al. 1999, 60), while individuals in feminine culture show encouragement and emotion for others, they also propose the balance between the roles of men and women (Milner and Collins 2000, 75; van Everdingen & Waarts 2003, 221). Even though Yaveloglu and Donthu (2002, 54) have claimed that this dimension of culture does not affect the diffusion of product innovation, global brands entering a feminine culture related market are suggested to offer products and promotion channels harmonized for both genders (Milner and Collins 2000, 75). Conversely, new, expensive and well-known brands have the advantage of capturing customers' attention in masculine society as they show the symbols of richness and success (Steenkamp et al. 1999, 60; Yeniyurt & Townsend 2003, 381).

Uncertainty avoidance dimension is related to "the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations" (De Mooji & Hofstede 2011, 183). In society with strong sense of uncertainty avoidance, members require a set of rules, regulations and instructions so that things could fall on the right track. They are not open-minded to changes and innovation, but they believe in what has been proved and published (Lynn & Gelb 1996, 47; van Everdingen & Waarts 2003, 221). Global chains entering this market should acquire worldwide fame and deliver superior high-quality products. To the contrary, people in a low uncertainty avoidance welcome surprise and ambiguity in their lives, thus, they encourage curiosity in new development (Yaveloglu and Donthu (2002, 54; Yeniyurt & Townsend 2003, 381). International firms targeting low uncertainty avoidance customers might have higher opportunity for flexibility to modify their marketing strategies.

The last dimension of culture is long- versus short- term orientation, this element is referred as "the extent to which a society exhibits a pragmatic future-oriented perspective rather than a conventional historic or short-term point of view" (De Mooji & Hofstede 2011, 183). van Everdingen and Waarts (2003, 222) suggested that individuals with a short- term orientation choose stability and tradition, also, they enjoy their current situation. Hence, short- term orientation culture prefers ordinary, easy-to-use products and services in order to meet their basic needs, they do not foresee the usage of them in the

future. On the other hand, people with long-term orientation are persistent and determining towards the future (van Everdingen & Waarts 2003, 222). As a result, a long-term orientation requires firms to offer functional, durable, and economical products that can be used in a long period.

As mentioned above, values are surrounded by heroes, rituals and symbols, in addition, these elements interact with each other (Luna & Gupta 2001, 50-51). Examples of heroes are artists, actors/ actresses, singers, scientists, politicians, royal members, or cartoon characters (Lee & Carter 2009, 116). Researchers discovered that heroes or celebrities influence consumer behaviors as their images are attached to the products, therefore, they are the representative for the whole brands (McCracken 1989, 310; Lee & Carter 2009, 116). Marketing communication can take advantage of heroes in each culture in order to change consumers' attitudes towards the brands. Additionally, rituals are also used to explain consumer behavior as they indicate the origin of consumer buying habits (Rook 1985, 262; Luna & Gupta 2001, 50). Marketing communications can reinforce the relationship between rituals and individuals' behavior by carrying ritual meanings in the products. Language is considered as the most observable symbol of culture, it is not only a tool for communication but also transmission of value system (Sherry & Camargo 1987, 179).

According to the model by Luna and Gupta (2001, 47), the first relationship is how culture takes effect on consumer behavior and how it strengthens the indicators in the cultural value system. Marketing strategies then transform the meaning and influences of all cultural values into the consumption of goods; therefore, some researchers concluded that marketing communications, for instance advertising, can accelerate the effect of culture on consumers' buying habits (McCracken 1986, 76; Luna & Gupta 2001, 63-64).

Lee and Carter (2009, 115) have extended the model conducted by Luna and Gupta (2001) by adding types of consumer needs as described in Figure 6. The authors argued that cultural values affect customers' buying decisions and behaviors, thus, they shape customers' demands for the products that best satisfy their demands. After all, the primary aim of marketing is to help the consumers realize and understand their needs, so that they can accomplish them in better and meaningful manners.

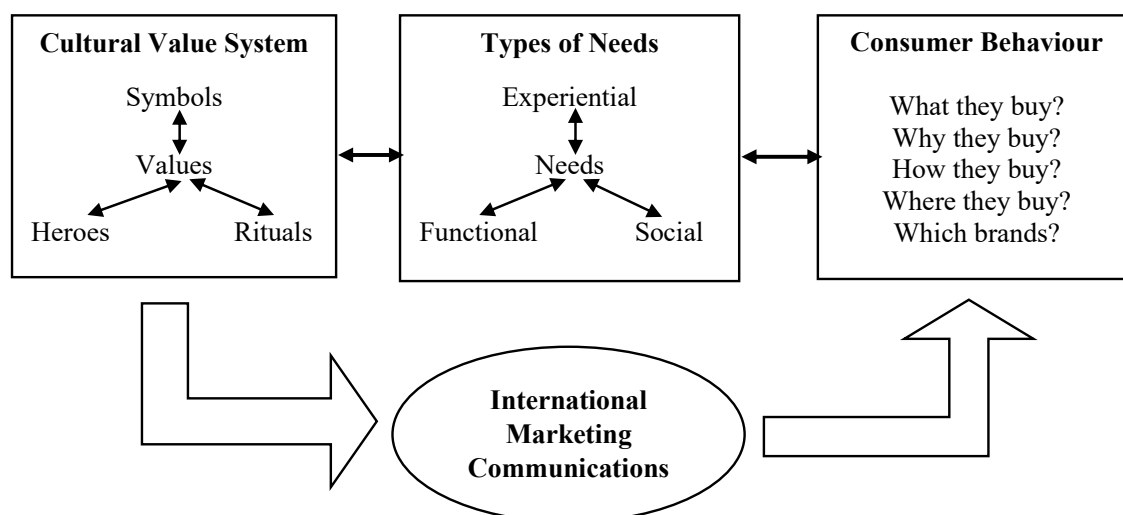


Figure 6 The interaction of culture and consumer behavior (Lee & Carter 2009, 115)

Lee and Carter (2009, 117-118) have affirmed that the first basic demand for any products and services is functional need. This is the lowest level of purchasing motivation, as the consumers only choose the products for basic consumption (Park et al. 1986, 136). For example, a motorbike is a vehicle which most of Vietnamese people use to get to work.

The second need mentioned by Lee and Carter (2009, 118) is social needs, they are connected with self-esteem. Some consumers are only satisfied with the products that can signify their wealth and high social status (Solomon 1983, 322; Keller 1993, 4). For instance, some young adults are eager to spend a huge amount of money to purchase the newest iPhone because it could symbolize them as trend followers and high-income earners.

Additionally, scholars evaluated that an individual's choice and preference of any product are to serve experiential needs that provide pleasure, variety, and stimulation (Park et al. 1986, 136; Keller 1993, 4; Lee & Carter 2009, 118). Consumers obtain high living conditions; therefore, they raise their standards by purchasing luxury and novelty brands. However, it is worth noticing that this trend is still not so common in some developing countries.

Culture can shape customers' needs; hence, it affects people's choices of brands and buying behaviors. It is hardly possible to encapsulate consumer behaviors due to the fact that even with the same demand for a particular product, customers' motivation to buy still differs based on their social status and cultural affection. Standardization strategy empowers MNEs to synchronize products globally, however, this marketing strategy interferes the firms with approaching customers' buying motivation and decision making created by cultural diversity. Adaptation then become the key to success in cross-border markets. This strategy allows MNEs to appreciate cultural diversity, exceed competitive

offerings, and most importantly, build long-term relationship with local customers (Lee & Carter 2009, 283). MNEs transfer their business formula to the targeted market, at the same time, they should study about local consumer behaviors and preferences in order to make adjustment to their products to meet market demands. In return, an appropriate product adaptation can create positive effect on consumer behavior. If the customized products can meet customers' expectation, consumers will have supportive attitude towards the firm. Additionally, they might change their buying habit and try new products and services from the brand (Chen et al. 2013, 44).

As the discussion regarding the choice between standardization and adaptation in marketing mix elements has been prolonged and inspiring a lot of researchers, an overview of the most significant research literature in this study is highlighted in Table 1.

Table 1 An overview of theoretical frameworks on standardization and adaptation marketing strategies and marketing mix elements

| Segment                                   | Author                         | Name   | Conclusion   |
|---|--------------------------------|--|--|
| <b>International marketing strategies</b> | Vrontis (2003)                 | Integrating Adaptation and Standardization in International Marketing: The AdaptStand Modelling Process                    | Standardization in the marketing mix is budget-saving strategy, builds global values thanks to homogeneous customer's demands.<br>Adaptation in the marketing mix gains customers' satisfaction and competitiveness, as it appreciates different market's characteristics. |
|   | Theodosiou and Leonidou (2003) | Standardization versus adaptation of international marketing strategy: an integrative assessment of the empirical research | Contingency method is adopted to balance standardization and adaptation strategies, requires the firms to examine all the "antecedent factors" that shape and influence the market.  |
|   | Lee and Carter (2009)          | Global Marketing Management, Changes, New Challenges, and Strategies   | Marketing strategies should always be customer orientation so that cultural, ethical and social responsibilities are embedded in all the company's policies.   |
|   | Vrontis (2003)                 | Integrating Adaptation and Stand-  | The author defined a theoretical model of factors pushing MNEs towards standard-   |



|  |                             |   |   |
|--|-----------------------------|---|---|
| <b>Standardization and Adaptation in marketing mix</b> |                             | ardization in International Marketing: The AdaptStand Modelling Process               | ization and adaptation strategies in marketing mix. Each factor must be studied in particular circumstances in the new market. This can be achieved by in-depth research and analysis of both external and internal environmental conditions.                                     |
|  | Vrontis and Kitchen (2005)  | Entry Methods and international marketing decision making: an empirical investigation | The authors pointed out characteristics of core marketing mix tactics. In summary, to launch a product or services, marketers should pay attention to not only parent companies' patents and requirements but also culture and local market conditions, and consumers' attitudes. |
| <b>Cultural impacts on international marketing</b>     | Luna and Gupta (2001)       | An integrative framework for cross-cultural consumer behavior                         | Through the interaction model, the authors suggested that culture and its value system take effect on consumer behaviors via marketing communications.  |
|  | DeMooji and Hofstede (2011) | Cross-Cultural Consumer Behavior: A Review of Research Findings                       | International marketers should take note of Hofstede's five dimensions of national cultures as they help to explain consumer behaviors and buying customs in different levels of culture.   |
|  | Lee and Carter (2009)       | Global Marketing Management, Changes, New Challenges, and Strategies                  | This research has extended the interaction model of culture and consumer's behavior, adding that this relationship would shape and increase consumers' desires and demands for the products and services that best satisfy their needs.   |

Combining three sub-chapters, the research seeks to understand the role of each marketing strategy regarding one firm's international operation. The differences among markets might not allow full standardization, whereas the costs of adaptation might prevent firm from adjusting its marketing mix. In other words, the choice of marketing strategies is considered as a matter of incorporation degree of elements in both approaches based on a number of determinants (Vrontis et al. 2009, 482). Additionally, cross-culture is presented to reflect the dissimilarities among countries. Cross-culture shapes diverse consumer behaviors, therefore, it affects marketing tools applied in different market. In this

chapter, the chosen theoretical views are the ones that are most referred to in the field of study of this thesis; they will be combined with the insights from the case company to answer the research questions. The next section is devoted to research methodology, it specifies the research approach, data collection and data analysis in order to achieve the research purpose.

### 3 RESEARCH DESIGN

#### 3.1 Research approach

The most common-used approaches for any research are qualitative method and quantitative method based on the research purposes. Quantitative research involves collecting and quantifying data by some forms of statistical analysis, whereas qualitative method can be unstructured and exploratory designed using small samples, it intends to understand how people involved interpret and experience the phenomenon (Eriksson and Kovalainen 2008, 5). Qualitative method is selected for this research in order to gain deeper insight and understand how KFC executed its marketing strategies in Vietnamese market. The characteristics of qualitative technique and comparison between two types of research discussed below will better facilitate the choice of research approach for this thesis.

Sachdeva (2009, 165) has identified qualitative approach as “array of interpreting techniques which seek to describe, decode, translate, and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world”. Qualitative method is applied to inform researchers about how and why things happen by providing a description of events, situations, and interaction between people and things, in depth and detail (Sachdeva 2009, 182). As a result, this method is labelled as “interpretive research” thanks to the function of developing in-depth understanding and building theories with high involvement of all participants, instead of testing them (Sachdeva 2009, 182).

The qualifications of qualitative research that fits into this research are also suggested by Malhotra and Birks (2007). Qualitative technique helps the researcher express personal preferences and experiences, reveal thoughts and raise sensitive questions. In addition, some complex cases and phenomenon can be well understood in a holistic view (Malhotra and Birks 2007, 153-155). The purpose of this thesis is to provide detailed description and understanding of the researcher and participants regarding how a multinational brand implements adaptation and standardization in its marketing mix, rather than clarifying and measuring the characteristic of their internationalization. On the other hand, quantitative research is preferred in testing theories and presenting facts which demands the researchers to be related to the research to keep it unbiased, therefore, it is not considered suitable for the purpose of this study.

### 3.2 Case study strategy

Yin (2003, 1-2) has evaluated case study as an effective and favorite method since the investigator obtains little or no control over all the events surrounding the focused case, also, the attention is paid on contemporary phenomenon happening in real-life circumstance. Since this thesis concentrates on standardization and adaptation strategies in the marketing mix applied in a particular market, the phenomenon is no doubt a marketing affair occurring in a real-life context that the researcher cannot change or control, therefore, case study is the most appropriate research strategy for this study.

To clearly understand the advantage of case study method, Yin (1984, 23) has clarified case study method as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” As a result, the data is collected based on the context desired by the writer, meaning that it focuses solely on the circumstances surrounding the activities that the author wants to investigate. Case study is officially recognized as an effective research method because researchers began to be more worried and dubious about the shortcoming of quantitative method in capturing” holistic and in-depth explanations” of the subject matter (Zainal 2007, 1). Case study method then appeared to be more efficient on understanding the actors’ behaviors and the reasons behind these behaviors (Zainal 2007, 1).

Case study research is most utilized for this study as it concerns small geographical area and a very limited number of individuals as the subjects of study (Zainal 2007, 2). This research tool is also known for its intrinsic, instrumental and collective advantage which best supports qualitative analysis of the data (Zainal 2007, 4). An in-depth qualitative research conducted in correspondence with case study enables researchers to examine or generate the data in real-life situation, as well as interpret the sophistication of the collected materials which is impossible to be managed by statistical recipe such as experimental method and questionnaire method.

Additionally, as suggested by Yin (2003, 7-9), the distinctive characteristic of case study method makes it the best fit as a research strategy based on the type of research questions, in which “how” and “why” questions of contemporary events are being asked without being manipulated by the researcher. Since these types of questions are proposed in this research, case study is proved to be the most suitable method.

Case study research can be conducted in single-case or in multiple-case. In multiple-case design, several cases are investigated to identify and match common patterns, then the conclusions are generalized from these case studies and linked to theoretical constructs (Zainal 2007, 2). Single-case design aims at one or only few cases to obtain specific insight and complexity of the phenomenon, as well as examine the perception and behaviors of participants involved in the case. This research is thus conducted through

only one case company – KFC fast food brand. The idea behind this choice is that unrelated and saturated external factors can be avoided from the business field by exploring one case brand. Furthermore, focusing on one case brand allows the investigators to analyze further in comparison with examining several brands in general manner.

The primary intention of a single-case design is not to generalize results originated in theories but to discover the case from the inside operation and generate understanding towards the issues in question based on the assessment of people involved. According to Eriksson and Kovalainen (2008, 119), the main interest embraces in the case itself dominantly, and less in the pre-stated theories. Also, Zainal (2007, 2) argued that researchers can raise the level of confidence and validity of single-case method by triangulating the study with various methods.

The objective of this research is to interpret and understand marketing implementation of an international brand in a new market, therefore, case company that provides high learning potential and best practices in its internationalization process was selected. The case company and targeted market in this study were carefully chosen based on their significant influences and special characteristics. KFC fast food was the first foreign fast food brand in Vietnamese market; therefore, it was taken as an example for the other firms in the beginning of their internationalization process. Moreover, KFC has been holding strong market position, large scale of operation and prominently international feature in its marketing strategies. Vietnamese market was selected because it is the home country of the researcher which allows the researcher to observe real-life situation of fast food industry and the case company, as well as get access to secondary data in Vietnamese accurately. Also, Vietnamese market is specifically chosen thanks to its culturally based nature and rare appearance in most marketing researches.

### **3.3 Data collection**

Triangulation method is often used in qualitative research, it examines the legitimate and efficiency of information collected from different sources (Carter et al. 2014, 545). Triangulation involves the application of multiple methods and data bases to gain thorough understanding about the phenomenon (Carter et al. 2014, 545). The use of complementary research techniques for data collection can facilitate broader understanding of the phenomenon and strengthen data reliability. In this thesis, data is accumulated from secondary data, observations and focus groups via in-depth interviews based on the research purposes and resource availability. Figure 7 depicts a description of data triangulation in this study and how it combines secondary data, observation and focus group methods in order to enforce research data validity.

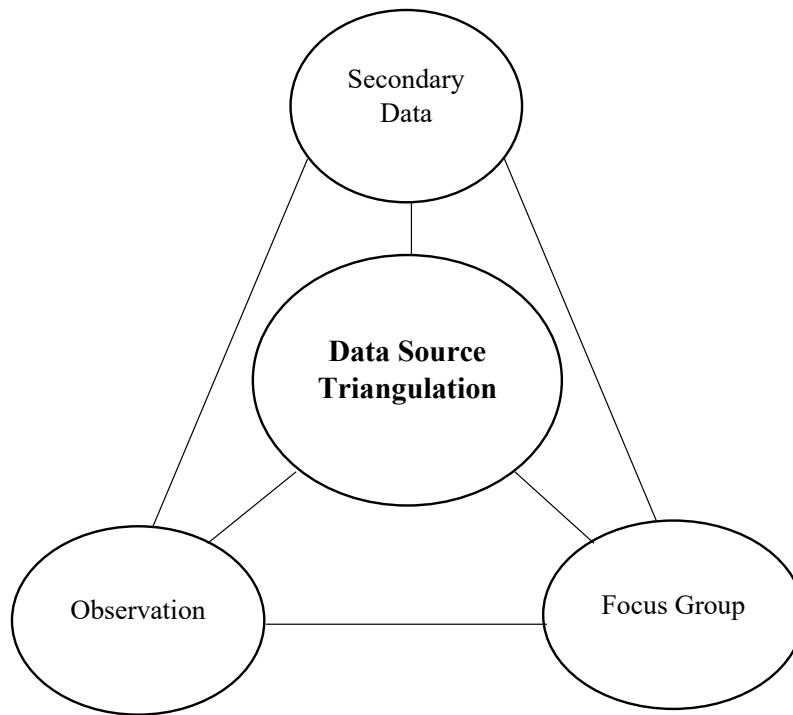


Figure 7 Data source triangulation method for data collection

Secondary data is considered as an important source of information for international marketing studies, it is time-saving and budget-friendly in comparison with primary data. However, due to the diverse and liberal of the data, writers should investigate and evaluate the findings' sources in order to ensure the data accuracy. Articles, journals, company reports regarding internal policies, annual financial statements, and third party's publications offer a huge amount of useful and reliable information. For this research, secondary data is collected through KFC's official website and articles from several business websites such as Business Wire, Export Government, Hanoitimes, Investment Policy Hub, The Economists, etc. Additionally, the researcher's relative has worked for one KFC's restaurant in Hanoi, Vietnam. This connection provided the researcher with valuable information from the store's reports regarding in-store and takeaway services, changes in seasonal menus, as well as customers' evaluation in terms of food price and quality.

Another method in data triangulation adopted in this study is observation. Observation data is gathered by observing the phenomenon, human behaviors, expressions and interactions towards the phenomenon (Koppa, 2012). This technique requires a researcher to differentiate personal observation data from the observation results delivered by other respondents. However, the degree to which internal and external viewpoints are generated and combined depends on the research approach (Koppa, 2012). If the investigator participates in the observation process and uses own viewpoints, the researcher becomes an active observer of the phenomenon. When the researcher decides to receive only outsiders' opinion, the study becomes objective without any research bias. Throughout

this study, the researcher acts as an inside observer by being a Vietnamese citizen and a KFC's customer, at the same time, the researcher becomes an outside observer by deriving information from other KFC's consumers.

The observation for this study took place in June and July 2018. The researcher selected two KFC restaurants for the observation, one of which locates at the centre of Hanoi while the other is in a narrow district. Due to the stores' huge amount of workload in summer, the researcher was only allowed to observe in the morning, however the researcher was moving between two places to compare them in special occasions such as International Children Day, Vietnamese Revolution Day. In accordance with four elements of the marketing mix, the researcher took note about the price of combo dishes and separate dishes in order to mark how it affected customers' orders. Also, the researcher noticed the different preferences from the locals and foreign customers on these products since the centrally located restaurant attracted more visitors in different nationalities. Additionally, the researcher observed the two stores' hygiene and preparation at the beginning of the day, as well as how employees performed during rush hours. Promotion campaign was spotted as well, the researcher focused on how consumers reacted to in-store advertisements and how frequent discount vouchers were applied.

In collaboration with secondary data and observation techniques, focus group method with semi-structured interview and open-ended questions are deployed (see Appendices 1), they aim at enhancing the flexibility and understanding between the interviewer and the interviewees. According to Fisher (2010, 186), open questions can "invite the respondent to talk expansively rather than to deliver a monosyllabic response", however, this method requires the interviewer to be well-qualified and interested in the subject matters. Furthermore, the interviewer should be able to control his/her own feelings and manage unexpected misunderstanding during the interview. In addition, it is important to pay attention to the interviewee's body language when they express their feelings in the answers. Also, reflective questions should be asked in order to encourage the respondents to talk furthermore (Fisher 2010, 186). Steering direct interviews with Vietnamese people is effective and precise as the observation of local consumer is the subject of discussion and the main source of this research. The findings obtained through the interview illustrated the effectiveness of KFC's marketing mix in Vietnamese market based on Vietnamese consumers' perspectives.

In this study, focus group interview was conducted among a group of Vietnamese students living in Turku, Finland. The interview lasted for about three hours, it included ten participants - four male and six female students who are in their Master's Degree and Bachelor's Degree at the University of Turku, Turku University of Applied Science, and Abo Akademi. All the interviewees are among the age of 19 to 30 and they have been studying in Finland for more than 3 years. Although there are no KFC restaurants in

Turku, all the interviewees have already visited KFC stores in Vietnam and in some other countries where they studied for exchange or went for travelling. The benefit yielded by this group is that it is less demanding and time saving for both the researcher and the participants. Moreover, the respondents have contributed comparative points of view regarding various KFC's operations in different countries. As a result, some interesting first-hand data has been collected when the interviewees shared about their KFC experiences in Vietnam and in some other countries. They are summarized and integrated in the marketing mix analysis section.

During the interview, the researcher took notes of the responses and recorded them at the same time. In addition, the researcher encouraged the participants to open up about their experiences and comment about the case company. When they were unsure about the questions, the interviewer provided more clarification without hesitation.

Despite the accuracy, specification and responsiveness that can be achieved through individual interview, focus group interview was selected for this thesis since it gives participants the opportunity to listen and interact with each other. Eventually, they come up with supplement ideas that they may not think of individually. The success of this triangulation lies in the sharing of diverse perspectives and experiences towards the same issue. Furthermore, this method generates more new opinions among the group, and it can detect potential issues for the interviewees to continue discussing (Carter et al. 2014, 545).

### **3.4 Data analysis**

Data analysis takes place when all collected materials are ready to be analyzed and interpreted to serve the research purpose. As suggested by Merriam (2014, 171), it is important and effective to analyze data simultaneously with data collection. Without this continuous analyzing process, the data can be repetitious, lack of focus or drown in the huge volume of materials (Merriam 2014, 171). In this thesis, the research aspects in the marketing mix were identified from the theory section in order to conduct the interview questions. The data collected from the interview and the researcher's own observation was then analyzed based on a step-by-step guide for qualitative study by Merriam (2014, 178).

The first step in this process was category construction. The recorded data and notes from the interview were transcribed and saved to digital files. Additionally, field notes and relevant documents collected from the observation process, such as KFC's menu, photos of the restaurants and price lists, were carefully read through several times. After that, data coding was implemented by finding key words and subjects that might support or oppose the theoretical views of this research. After codes were assigned through the entire transcript, these sets of data were combined into categories or themes. Since the interview was conducted as semi-structured interviews with open-ended questions, there



were quite a large amount of additional data that the researchers found interesting and personally-related to the respondents' points of view, these ideas and viewpoints were then considered for further examining in the literature so that necessary aspects would not be omitted.

The next step in data analysis for this research was sorting categories and data. During this stage, the original categories built from the first step were reviewed and boosted into more relevant themes. Next, the interviewees took part in the data analysis process by reviewing all the sets of data, they also joined the researchers in further discussing about KFC's marketing mix implementation and provided more perspectives which they later came up with. This action was done via phone calls, emails, and mostly Google Docs platform so that all participants could comment on the same issues simultaneously. By this way, the role of the interviewees was also engaged in the data analysis step, which contributed to reduce the gap between theory and practice, it also increased the trustworthiness of this study. As more and more data were collected, all the categories obtained from previous data were then checked and matched with subsequent data. After this action, some categories were rejected, whereas the more relevant ones were occupied to build the final set of categories. Although the sorting phase could be done by computer programs, sorting and organizing data in this research were conducted by hand as this was a small-scale study.

The final step in the process of analysis was naming the categories. This phase was conducted based on the researcher's reflection of the data in accordance with the research purpose, the theoretical framework, and the researcher's knowledge. Merriam (2014, 187) has emphasized that fewer categories could be beneficial for communicating research findings with the readers. As a result, the number of final themes for narratives from focus group interview was compacted into four in order to be in line with four elements of the marketing mix, they are products and services, pricing policy, location, and promotion campaign.

Since it is recommended that data analysis process should occur throughout the research (Blaxter et al. 2010, 211; Merriam 2014, 171), some of the analysis in this study was also performed during the data collection phase and the transcription step. However, the findings and research results from the analysis were mainly conducted after sorting and categorizing the data.

### **3.5 Trustworthiness of the study**

When a research is conducted, one always attempts to achieve valid and reliable knowledge in an ethical manner (Merriam 2014, 209). Nevertheless, as researchers are the ones that directly interpret and analyze collected data, they might develop their own

biases and assumptions towards the research problems. As a result, all studies need to assess their scientific nature, quality, and most importantly, trustworthiness (Eriksson and Kovalainen 2008, 290). The concepts of reliability, validity, and generalizability presents a basic framework for evaluating qualitative research (Eriksson and Kovalainen 2008, 291). Generalizability addresses the concern whether the research outcomes can be extended into a wider context, it refers to the well-grounded and debated selection of the research cases or people in qualitative studies (Eriksson and Kovalainen 2008, 293). As already explained in the sub-chapter Case selection, the choice of single-case design in this thesis does not aim at generalizing the results, therefore, the researcher did not see any benefit of further evaluating generalizability in this study. Reliability and validity are both traditional evaluation dimensions of trustworthiness in qualitative research. Reliability deals with the repeatability of result while validity focuses on precise description and explanation of the findings (Eriksson and Kovalainen 2008, 291-292). However, some doubts have arisen regarding the effectiveness of these classic measurements in managing the accuracy of interview and observation. As a result, Lincoln and Guba (1985, 290) introduced an alternative solution in order to consider the trustworthiness of qualitative research. There are four aspects: credibility, transferability, dependability and confirmability. Among these criteria, transferability is comparable to generalizability as it identifies the extent to which the research results can be applied to other situations (Merriam 2014, 223).

Credibility is a key element in clarifying the trustworthiness in qualitative research, it focuses on how the research findings match reality (Merriam 2014, 213). Lincoln and Guba (1985, 301) introduced several strategies to assure that the inquiry captures the research phenomenon, thus, they are adopted in this study to enhance credibility.

- Triangulation is perhaps the most well-known technique to increase credibility of a qualitative research, it involves the use of different data collection methods, data sources, investigators and theories. The combination of data collection methods can show the best features in all methods, also, it helps to mutually compensate their drawbacks. As mentioned in the part Data collection, this study implemented data source triangulation of secondary data, observation method and focus group interview.
- Member checks is a common method to eliminate all possible misinterpretation from the interview and the researcher's own biases from observation (Merriam 2014, 217). In this study, the interviewees took part in checking the transcripts and preliminary analysis, they also fine-tuned the materials in order to facilitate their perspectives.

- Debriefing sessions take in professional contacts that have impacts on the evaluation (Lincoln and Guba 1985, 301). Discussion with the thesis supervisor along with all feedbacks and comments have supported the researcher to build the research structure and raise the level of trustworthiness.

Trustworthiness of a study can also be established by dependability measurement. This criteria concerns with whether the results are consistent with the collected data (Merriam 2014, 221). Furthermore, Eriksson and Kovalainen (2008, 294) have emphasized that it is the researcher's responsibility to provide information to the readers and prove that the research procedure has been logical, traceable and reported. In order to improve the dependability requirement, this study devoted Chapter 3 – Research design to explain how the research is formulated and how the data is collected.

The last criterion for assessing trustworthiness of a qualitative research is confirmability, it ensures the findings and interpretation are linked to the data in a way that they can be understood by others (Eriksson and Kovalainen 2008, 294). This research is built upon well-established conceptual framework in the field of study, detailed research design is formed in order to enable the readers to keep track with the research. Moreover, triangulation strategy highlighted above also helps to increase confirmability as it asserts that the researcher's personal feelings do not affect the research results.

## 4 STANDARDIZATION AND ADAPTATION OF KFC'S MARKETING MIX IN VIETNAM

### 4.1 KFC's marketing mix in Vietnamese market

#### 4.1.1 *Products*

KFC fast food specializes in chicken products and the chain has been following Sanders's secret recipe of 11 herbs and spices. Additionally, KFC offers home-style side dishes and buttermilk biscuits (KFC, 2019). During its internationalization, the company's kitchens apply the same cooking and checking method, each piece of chicken is carefully inspected and rolled hard before it is pressure cooked at a low temperature in order to preserve the signature taste (KFC, 2019). While maintaining the unique flavor as a key product strategy, KFC has localized its menu in different markets in order to satisfy regional preferences. The company has successfully captured consumers' favor, at the same time, it differentiates itself from the other competitors and gains competitive advantages in fast food industry.

In Vietnamese market, KFC still maintains traditional products which are original fried chicken and hamburger. Furthermore, the brand has innovated a variety of unique dishes in order to satisfy Vietnamese consumers' taste and dining custom such as Big 'n Juicy, Crispy Strips, Coleslaw, and Egg tarts (KFC Vietnam, 2019). As Korean culture also has a great influence on Vietnamese teenagers, KFC has launched a whole new set of Korean dishes including "Suchii - KFC Fried Chicken with Korean Sauce & Cheese Sauce" and "Grilled Chicken Rice with Kimchi Coleslaw" (KFC Vietnam, 2019). In addition, Vietnamese people always prefer to gather in groups, therefore the fast food chain provides food packages and combo options in family size. The most chosen packages include fried-roasted chicken, combo for one, two or for group, kid meals, desserts and beverages (KFC Vietnam, 2019). Moreover, during its market research in Vietnam, KFC has acknowledged a great deal of opportunity to utilize new ingredients in order to reduce the cost of material imports. For instance, KFC witnessed Vietnamese preference for bread, therefore, soft bread was added to the menu. Also, as Vietnam is well-known for fresh sea food thanks to its long coastline, a separated menu for shrimps and fishes was developed. At the same time, KFC teams discovered consumers' need for rice, therefore, they focused on chicken rice, soup and porridge dishes (see Figure 8), these new dishes have met consumers' requirement for a quick and healthy meal.



Figure 8 KFC Vietnam's rice and vegetable soup dishes (KFC Vietnam, 2020)

In addition to the diversity on the menu, KFC has modified the products' flavors, size and cooking materials in order to make them suitable for Vietnamese consumers. The size of several items such as hamburgers and chicken pizza "Chizza" is smaller, each meal always combines with vegetable and soup. Nowadays, individuals are more aware of healthcare issue, KFC has raised concern about consumers' health by committing to use only high-quality cooking oil. For example, KFC Vietnam only purchases cooking oil from Neptune company after cautiously checking for the origin and safety level. Moreover, the used oil is always changed after each batch of fried chicken in order to avoid rotten oil at high temperature and maintain the delicacy in every dish (KFC Vietnam, 2019). In 2004, when bird flu epidemic outbreaked in Asian region, KFC still confirmed the quality of its products thanks to the fact that chickens were carefully raised and chosen from the most prestigious farms of Vietnam such as CP, Unitek, and Long Binh (KFC Vietnam, 2019). After the selection, the chicken was manufactured in closed and hygiene secured process from vacuum-packing to refrigerating for transportation, the company excluded the use of any preservative substance (KFC Vietnam, 2019). As a result, the customers, even the most health-conscious ones, always felt secure about the food quality at KFC restaurants.

Along with its quality assurance, KFC affirms to offer professional services for customers. Employees of KFC Vietnam are trained carefully in order to bring satisfaction and comfort to every customer, as the company believes that the meals will become more delightful when being served with heart and smile (KFC Vietnam, 2019).

During the interview regarding KFC's products, all Vietnamese students were excited about KFC's wide range of dishes, they were positive about new products launching in Vietnamese market. They felt satisfied with items that KFC has localized in order to suit Vietnamese consumers' dining preference, such as KFC fried chicken combined with Korean sauce, cheese sauce, and kimchi coleslaw. Furthermore, the respondents shared

that the taste of KFC Vietnam was more unique than that of KFC elsewhere. For instance, they could not find hot rice dishes and soup in KFC restaurants in Poland and United Kingdom.

*“I have visited England and gone on an exchange in Poland. These countries have large number of KFC restaurants, but I could not find rice dishes in any single store. Since there are a lot of Asian students there, it is going to be a huge success if KFC develops an Asian menu with rice and soup.” (A Master’s Degree student in the University of Turku, 16.09.2019).*

However, some Vietnamese students mentioned that KFC Vietnam still symbolizes western dining style and it is difficult to replace Vietnamese traditional style. Although some of the students did not have time to cook at home, only few of them considered KFC as an option for proper meals. The interview results have shown that KFC still cannot successfully compete with Vietnamese style breakfast due to the fact that most of the interviewees preferred noodles and other street food for their breakfast. They considered these meals as light and healthy, whereas fast food was oily and contained less varied nutrition. Nevertheless, KFC acknowledged this issue and took action immediately, rice and vegetable dishes were then added to the menu, this adjustment brought KFC closer to Vietnamese food culture. In this situation, cultural and custom differences have created huge business opportunity for international firm thanks to its localization marketing strategy.

Regarding to KFC Vietnam’s services, the respondents felt most pleased with the shipping service and catering service. In order to compete with Vietnamese street restaurants, KFC has launched delivery services until 11:00 p.m. All the students evaluated this as an effective tactic in KFC Vietnam’s product portfolio, as it could be a challenge for them to dining out during winter. In addition, KFC observed celebrating custom in Vietnamese culture, Vietnamese people always celebrate to show honor in important events of their lives. KFC Vietnam focuses on party services in a way that customers inform the time of the event, the quantity of participants and the type of meals so that the restaurant can prepare the whole party package. Several Vietnamese students had the experience of ordering KFC’s party service when they were in Vietnam and they also received discount voucher for their next visit at KFC.

*“In Vietnam, employees often have to work overtime until late in the evening. It [KFC] is always my favorite place to have dinner or order shipping, [which is] really fast and cheap. Thanks to KFC, I got rid of my habit of eating unclean food on the street.” (A student at Abo Akademi, 16.09.2019).*

In term of dining-in service, few interviewees raised an issue concerning self-service at KFC Vietnam stores. Vietnamese consumers already got used to being served by wait-ressing at the restaurants, therefore, some of them were expecting the same service when visiting KFC restaurants.

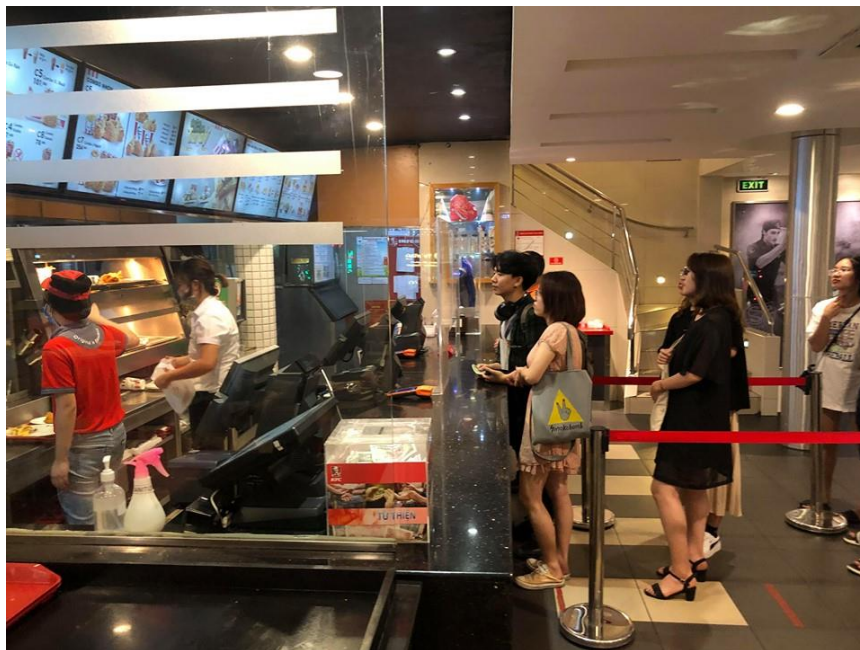


Figure 9 Self-service in one KFC Vietnam's restaurant

As illustrated in Figure 9, KFC Vietnam still established self-service, customers should wait in line for the ordering machine and check their order numbers by themselves. After a few times eating at KFC restaurants, the customers realized the difference between western and Vietnamese eating habit, and they gradually accepted to follow it.

*“After being in Finland and other developed countries, I have to admit that self-service brought to Vietnam by KFC is like one-step-ahead-of-the-future types of service. It completely changed depending habit of Vietnamese people. It somehow helped Vietnam to integrate to more modern and self-controlling society.” (A Master's Degree student at Abo Akademi, 16.09.2019).*

Furthermore, most of the Vietnamese students assessed self-service as liberal and respectful behavior towards other customers and employees working at KFC. Indeed, the company standardized this method of serving to Vietnamese dining culture and it got accepted by Vietnamese customers.

#### 4.1.2 *Price*

Pricing strategy plays a central role in creating value for the firms and capturing market share. The price of KFC products is considered cheaper in developed countries and it helps the company gain popularity in fast food industry around the globe. The pricing strategy that has been executed internationally by KFC is called “Optional pricing” (Heart of codes, 2018). The aim of this method is to boost the amount of money that customers spend, when they purchase the main products and services, they then pay for the extra dishes such as drinks and desserts in order to match with the main items. The optional items would add up to the overall price as consumers will pay for the original order and the supplemented one.

KFC was not a favorite option for an affordable meal when it first penetrated in Vietnamese market as the price of its products was always compared with the price of Vietnamese traditional food and street food. As a result, KFC’s pricing team decided to adopt low-price strategy from the beginning so that Vietnamese customers could approach the brand and wanted to try new fast food. Since Vietnam was evaluated as an emerging market and people were open to new concepts, KFC expected that the low-price strategy would create a strong base of long-term customers and helped them gain market position to compete with other competitors. This pricing strategy was reported to be successful as KFC continuously gained profit and built customers’ loyalty after nearly 10 years of losses from 1997 to 2006 (ACT, 2019). Furthermore, KFC acknowledged that Vietnamese consumers got used to American-origin items and they believed in their qualities. The reason behind the obsession of Vietnamese people with American products could be attributed to the long war history and after-war relationship between the two nations, which has brought numerous American products to the country. As a result, when other foreign fast food chains appeared in Vietnamese market, KFC decided not to drop its price, this strategy helped KFC maintain its position and protect its profit in the market (ACT, 2019).

KFC also provides different pricing levels in accordance with its ranges of food. The company implements profitable pricing campaigns, such as special price for VIP customers and combo promotion. Two or several meals are combined into bigger portions, therefore, the customers can save money when they order the bigger one instead of a separate product (ACT, 2019). Figure 10 presents change in price of two famous dishes of KFC Vietnam called “Sieu Re, Sieu Ngon”.





Figure 10 “Sieu Re, Sieu Ngon” – Super cheap, super delicious combos (tiendauroi.com, 2020)

This effective pricing promotion was launched in 2018, its name refers to super cheap, super delicious dishes. In this promotion, KFC discounted two favorite combos including fried chicken, French fries, and drinks, the brand also provided home shipping for customers (ACT, 2019).

Among the focus group, there were two different opinions towards KFC’s pricing level for its products. Two third of the Vietnamese students discussed that KFC fast food was much more expensive than Vietnamese street food. They identified that the success of KFC in Vietnamese market was primarily the result of proper marketing strategies and promotion campaigns which were more effective than those executed by Vietnamese local brands. Moreover, KFC was the “early bird” to deliver western fast food to a Vietnam, therefore, consumers, especially young adults were curious and eager to try KFC’s products. However, customers quickly lost interest in this foreign flavor. In addition, some students emphasized that with the price of KFC’s chicken pieces, they were able to buy a whole chicken at Vietnamese wet markets.

*“What I have to pay for frozen and small dishes of chicken there [at KFC] is too over-priced. Chicken is the most important food in any celebration in Vietnam, so you can buy a whole fresh and healthy chicken in any wet market, with much lower price than in KFC”. (A student at Turku University of Applied Science, 16.09.2019).*

On the other hand, a small number of respondents felt satisfied with the pricing level applied by KFC Vietnam. They argued that the money customers pay for their dishes also embraces pleasant dining environment, the opportunity to experience a different dining style, most importantly, the timing and convenience.

*“Cooking by yourself will be cost-saving, but you have to spend much time and effort to do so. Eating at KFC will save your time and your convenience. It is understandable if the price for eating out is a little higher, considering all the services you can get”. (A student at The University of Turku, 16.09.2019).*

For instance, KFC’s meal combo including chicken rice or shrimp burger and drinks for VND 35,000 (approximately 2 US dollars) (see Figure 11) is considered cheap, yet delicious and nutritious, according to a few of the interviewees who used to eat at KFC almost every day when they were in Vietnam.



Figure 11 Lunch meals for VND 35,000 at KFC Vietnam’s restaurants

The students evaluated KFC Vietnam as a middle-class brand for its affordable price in the circumstance that the living standards were more improved, but people became busier in their daily lives.

#### 4.1.3 *Place*

KFC fast food chose Ho Chi Minh City as its first destination in Vietnamese market. In the beginning, the fast food giant targeted big and economically developed cities like any other businesses always do, this could easily trigger consumers to spend money on fast food during their busy lives. KFC aimed at providing a time-saving dining solution when people did not have enough time to prepare daily meals. The food retailer also desires to offer a modern, western-style location for family and friend gathering. As a result, KFC stores are spreading all around Ho Chi Minh City, especially in huge and crowded department stores, such as Giga Mall, Sai Gon supermarket, Central Plaza, Crescent Mall, and several Parkson Plaza chains (KFC Vietnam, 2019).

KFC has extended its appearance in 21 cities so far in Vietnam. All stores are located at large, urbanized and densely populated cities. Besides settling its restaurants in gigantic supermarkets and shopping malls like in American format, KFC has eventually operated its stores in open locations with wide space and catching sight. Moreover, these open locations are convenient for transportation and parking, so that customers could have the most comfortable experience during their visit at KFC (ACT, 2019) (see Figure 12).



Figure 12 KFC Vietnam's store with open space and parking lot for motobikes (Asian Resource Corporation, 2020)



One of the most effective location settings of KFC in Vietnam is being surrounded by schools and universities in order to attract children and students as they are more interested in exploring fast food concept. For instance, KFC Tran Dai Nghia in Hanoi City is circled by some of the biggest high schools and universities in Vietnam including Khuong Thuong Secondary School, Kim Lien High School, Bach Khoa University, Medical University and National Economic University. Furthermore, the company concentrates on decorating its restaurants based on consumers' preference. Figure 13 shows signs and facilities painted in red color which is preferred by the majority of Vietnamese people.



Figure 13 KFC Vietnam's store using red color for decoration

Additionally, menus and illustration pictures are clear and eye-catching while tables and chairs are well-prepared for groups and family visitors (see Figure 14).



Figure 14 Space for group gathering in one KFC Vietnam's restaurant

With the rise of Internet and online services, KFC Vietnam offers a web-based store where customers can find all the information related to the company and its products, such as the introduction of the company, the menu, the restaurants near your location, all the promotions, the job vacancies, the photo galleries and membership advantages. Moreover, the website pages allow customers to order online or by phone until the late night. This has turned out to be a quite simple but very effective communication channel by KFC Vietnam.

Most of the Vietnamese students responded that KFC was their most favorite fast food chain in their home country, followed by other brands such as McDonald's, Burger King, and Jollibee. In their opinions, they got the opportunity to try KFC products before other retailers arrived in Vietnam, therefore, they perceived a better impression and a unique experience towards fast food concept from KFC, the later brands seemed to offer similar products and services at most.

*"As this brand [KFC] arrived first in Vietnamese market, it got the priority to choose the best locations, for example around the center of Hanoi, inside department stores in Ho Chi Minh City, and especially near schools. All the kids love fried chicken and ice cream". (A student at the University of Applied Science, 16.09.2019).*

*"I live in the capital Hanoi, and one of the most crowded attraction there is the Old Quarters. KFC seems to know its way around the city, it has huge and eye-catching store right at the entrance of Old Quarters. There are foreign tourists there every day, and I*

*think they would love to taste their classic Western specialties when they are travelling". (A student at the University of Turku, 16.09.2019).*

The interviewees have indicated that the key reasons why they tended to choose KFC Vietnam were its restaurants' cleanliness and wide space. The consumers were attracted by the clean environment, wide space for dining and parking provided by KFC stores. In Vietnam, KFC always settles at the most crowded streets where companies and schools are located. Some interviewees who used to work in Vietnam admitted that due to their short break from work, KFC became their best option for lunch. The chain not only offered them a quick and delicious meal, but also provided them a comfortable relaxing place. At the same time, some of them addressed that they dropped by nearby KFC stores during their school years to enjoy chicken combo in which the portion was big and delicious, also, the dining environment was youthful.

#### **4.1.4 Promotion**

Promotion is one of the most powerful strategy in the international marketing mix of KFC in any foreign markets. In order to convey the brand image and inform customers about new products, KFC has applied a strong mix of promotion channels including advertising, discount coupons, sales promotion and public relations. They are presenting in all types of medias such as television, hoardings and online advertisements (Heart of codes, 2018).

*"I think nowadays online advertisement via Internet is an outstanding method to create awareness, as people's lives are now very much depending on the Internet and social network. KFC has posted many photos and advertising video in some popular websites in Vietnam and they are very effective in building the brand name."* (A student from Abo Akademi, 16.09.2019).

All the interviews have assessed that KFC's proper promotion tactic has contributed to build its strong presence in fast food industry and enabled the retailer to interact closely with customers, which have motivated local people to learn about KFC's products and get better insight of the brand values. It can be found on KFC's official website that Colonel Sanders has been the company's most inspiring aspect in its promotion campaign with his iconic quality-confirmed slogan "We make our chicken the hard way" (KFC, 2019). The chain also successfully created a break-through advertising slogan to describe its chicken delicacy, the slogan then turned out to be one of the most legendary catchphrases of the 20th century - the "Finger Lickin' Good" slogan (Putrym, 2011).

In Vietnam, KFC emphasizes the meaning of “Finger Lickin’ Good” slogan by showing images and videos of customers irresistible to fried chicken dishes, these videos even play the real drooling sound when the performers take a bite. Young adults are appointed as targeted customers in KFC’s product portfolio; therefore, the company has decided to develop audio promotion due to the fact that young consumers are easy to be attracted by hearing (Nguyen, 2018). Additionally, thanks to the rise of social media in Vietnam such as Facebook, Instagram, Twitter, and Zalo, KFC has built two-way communication with Vietnamese customers to the maximum extent (Nguyen, 2018). The retailer can advertise about its products and introduce discounts as well as sales campaigns on social media. In reverse, KFC’s customers are able to post their KFC moments and provide feedbacks about the company. Also, KFC has noticed traditional promotion method used by Vietnamese local brands which is printed banner hung on the street, therefore, the company has implemented this promotion technique in order to get closer to the local consumers.

Additionally, KFC comes up with appealing discount vouchers for both dine-in meals and take-away meals in order to encourage customers to visit its restaurants regularly (KFC Vietnam, 2019). For instance, customers will be granted the benefit of VND 50,000 worth discount vouchers (see Figure 15) when they order KFC combo including fried chickens, popcorn, French fries, and Pepsi drinks (KFC Vietnam, 2019).



Figure 15 Discount voucher of VND 50,000 from KFC Vietnam (Shopiness, 2020)



KFC also offers promotion package so that customers can take advantage of several free-of-charge services based on specific occasions. For example, when customers reserve a birthday party at any KFC store, it costs them only VND 79,000 (about 4 US dollars) per one combo for one person (KFC Vietnam, 2019). In addition to the discounted meal, the birthday host can choose the style and the color theme for the party and birthday accessories as described in Figure 16, including invitation card, party hat, birthday board, balloons at no cost (KFC Vietnam, 2019).



Figure 16 Birthday party at one KFC Vietnam's store (To chuc tiec sinh nhat, 2020)

Vietnamese students always watched advertisement via television and radio, nowadays they continue that habit via online commercial channels. This is the reason why promotion campaign through media has become the key success to new brand operating in Vietnamese market. Furthermore, Vietnamese people have the tendency to follow the trend that created by celebrities as they believe these are the ones who help them catch up with the fast development around the globe. According to several respondents, KFC Vietnam has embarked these behaviors of Vietnamese consumers on its promotion strategy. For instance, KFC launched an advertisement video of Vietnamese famous actress eating a piece of fried chicken and her real chewing sound was played out as well. After watching the advertisement, the focus group expressed that it was very attempting to try the products.

*“As a high school student, I only had little pocket-money. I collected discount vouchers every time I visited KFC restaurants. They gave out a lot of vouchers for everyone, meaning that they always encourage and welcome us the next time.” (A student from the university of Turku, 16.09.2019).*



About one third of the interviewees also talked about their habits of collecting discount vouchers every time they visited KFC restaurants. They sometime shared the vouchers with family members, friends and colleagues so that they could enjoy the benefit and the food at KFC.

#### 4.1.5 *A summary of KFC's marketing mix in Vietnamese market*

Product, price, place and promotion are four basic and most vital elements in marketing mix strategy of any firms when they intend to launch new products and services in a market. An overview of how standardization and adaptation strategies featuring in KFC's marketing mix is illustrated in Table 2.

Table 2      A summary of KFC's marketing mix in Vietnamese market

| Strategy<br>Marketing mix tactic | Standardization  | Adaptation  |
|----------------------------------|--|---|
| <b>Product</b>                   | <ul style="list-style-type: none"> <li>- The same cooking and checking method followed Sander's recipe</li> <li>- Traditional fried chicken and hamburger</li> </ul> | <ul style="list-style-type: none"> <li>- Rice, soup, bread, and seafood dishes</li> <li>- Korean dishes</li> <li>- Combo portion in family size</li> <li>- Adjustment in size of items and healthier cooking materials</li> <li>- Self-service</li> </ul> |
| <b>Price</b>                     | Optional pricing strategy  | <ul style="list-style-type: none"> <li>- Low-price strategy</li> <li>- Different pricing levels</li> <li>- Special discount for two favorite dishes by Vietnamese customers</li> </ul>  |
| <b>Place</b>                     | Stores located in shopping malls and supermarkets  | <ul style="list-style-type: none"> <li>- Open spaces with parking lot for motorbikes</li> <li>- Stores located near schools, universities, and famous attractions</li> </ul>  |

|                  |  |   |
|------------------|--|---|
|                  |  | <ul style="list-style-type: none"> <li>- Red color for store decoration</li> <li>- Facilities for big group and family visits</li> </ul>  |
| <b>Promotion</b> | <ul style="list-style-type: none"> <li>- Combination of different types of promotion channels</li> <li>- Website showing Sanders' slogan and catchphrases</li> </ul> | <ul style="list-style-type: none"> <li>- Printed banners on the street</li> <li>- Discount vouchers for family combo</li> <li>- Advertisement on television presenting celebrities</li> </ul> |

As can be seen in Table 2, the extent of adaptation in KFC's marketing mix has surpassed that of standardization due to the big differences in culture and consumers' preference between the home market and new market. KFC has conquered global markets and opened hundreds of restaurants, however, when the company first started in an unfamiliar and culturally oriented market like Vietnam, it is sensible enough for them to adjust the whole marketing tactics in order to succeed in the local market.

Product element is maintained to a large extent in terms of international operation system and signature cooking recipe, as they are the criterions that have built KFC's brand name and distinguished the chain from rivals. Based on the empirical findings, it seems that this category has been customized the most since various dishes were added to the product portfolio in different size and portion.

KFC also enforced high level of local adaptation on Place and Promotion factors. Accordingly, dining-in location, web-based sales system and store decoration were all carefully designed based on customers' routines and preferences. In addition, the brand deployed a new range of advertising means and promotion channels associated with consumers' daily lives. Nevertheless, observation and empirical findings have shown that sales promotion including discount and vouchers is adapted to a greater extent than media advertising. Whereas advertising on a large scale can be out of budget and time consuming to produce, an adaptation on sales promotion would be relatively inexpensive when it is conducted in national level. Moreover, sales promotion is regarded as an effective marketing channel thanks to its closer connection with Vietnamese consumers as the consumers prefer receiving discount vouchers.

Pricing strategy is perhaps surrounded by controversy the most during focus group discussion. The participants still considered KFC's pricing level unreasonable compared to Vietnamese traditional street food. In other words, price tactic of KFC was not adjusted enough to meet Vietnamese consumers' living standards. In the contrary, a small group of interviewees argued that price lists set by KFC were quite affordable, the consumers

should take into account all the services they could get from KFC. From the perspective of cross- culture, KFC has successfully dealt with this pricing issues by focusing on collectivism buying behavior of Vietnamese market as the customers receive benefit or lower price when purchasing combo packages.

## **4.2 Relationship between culture and adaptation strategy in KFC's marketing mix in Vietnam**

The case analysis of KFC Vietnam and results collected from the focus group interview have illustrated the key relationship among culture, consumer behaviors and product adaptation. From the collected data, it can be concluded that culture has created huge impact on Vietnamese people's choice of food. The respondents expressed that while living and travelling around the world, they still prefer eating Vietnamese food in comparison with foreign fast food. Additionally, they emphasized that even though it is easy to find McDonald's, Burger King and Subway restaurants in Turku, they still choose to visit Vietnamese bistro or cook at home on their daily's lives. The reason behind this perception is that traditional culture has built a deep root in them, and it is not very easy to change their customs or adapt to western practices.

Vietnamese market is one of the most emerging market in Asia, but the country still preserves its richness in culture. Vietnam is evaluated as a collectivistic culture, in which people live, work and behave in groups, also, they respect long-term relationship and commitment. As a result, business activities are decided based on relationship and societal customs. Moreover, Vietnam is regarded as a feminine society, therefore, people appreciate flexibility and quality of life, they also care for other members in their groups. In the context of fast food retailer KFC, it is essential for the brand to understand cultural differences and learn about consumers' food preferences in Vietnam, since these preferences can affect people's attitude and decision making towards their purchasing.

The analysis of KFC's marketing mix in Vietnam asserted that the company has followed "think globally but act locally" path (Kotler et al., 2008), in other words, KFC has successfully mingled standardization and localization in their marketing mix strategy. The brand's customization in the marketing mix has shown its thorough understanding about Vietnamese cultures and customs. Moreover, this strategy has turned customers into vital component of KFC's product development process. At the same time, the fast food retailer has proved that standardization and adaptation strategies are not contrasting concepts, together they can gain competitive advantage for the brand and obtain a high level of customer commitment. In this case, KFC still maintains its American production system for most of its products, also, the brand persists several western dining customs as a wind of change to Vietnamese dining culture. The cohesion between standardization

and adaptation strategy with the priority in localizing products based on local culture and consumer behavior is the reason for KFC's success in Vietnam, it allows the company to distinguish itself from other fast food rivals in the market.

## 5 CONCLUSIONS

The fifth chapter finalizes the main findings of this study in accordance with related literature and theoretical concepts stated in chapter two. Theoretical contribution to marketing business field is presented, followed by managerial implications drawn from the case study analysis. In the name of managerial implications, the case company and other foreign firms can gain a more in-depth understanding towards standardization and adaptation strategies in order to effectively implement them in their marketing mix. In addition, limitations of this research are addressed along with recommendations for future research on the focus.

### 5.1 Theoretical contributions

From a theoretical perspective, this thesis has contributed to build an approaching framework towards international marketing strategies and marketing mix elements in the internationalization process of multinational companies. The research also took into account the central influences of culture towards consumer's behavior and preferences. As affirmed by several researchers (Vrontis 2003; Theodosiou & Leonidou 2003), standardization and adaptation strategies are not conflicting but rather correlated to each other. A proper combination of these two marketing strategies in accordance with comprehensive understanding in cultural diversity and consumer behaviors allows MNEs to maintain global brand name in the foreign market, at the same time, they are able to capture local responsiveness and differentiate themselves from other competitors.

First of all, the case market for this study was selected based on its diverse background in economic conditions and cultural characteristics. This type of market would urge international companies to execute detailed expansion plans while taking in local responsiveness. Vietnam is a promising market for any businesses thanks to the country's emerging growth, open laws and regulation for foreign investors, as well as its large population. Furthermore, in line with the theoretical framework (De Mooji & Hofstede 2011; Luna & Gupta 2001), Vietnamese culture is considered as high-power distance, collectivity, femininity, low uncertainty avoidance, and long-term orientation culture. Vietnamese people appreciate commitment, relationship and mutual understanding in all business matters. They follow strict hierarchy and traditions; at the same time, they can become pragmatic when it comes to changes and future development. These characteristics lead to sophisticated consumer behaviors and they require product customization, which is comparable with the literatures proposed by quite a few authors (Theodosiou & Leonidou 2003; Lee & Carter 2009). In order to determine the degree of adaptation and standardization, all antecedent factors which create background forces and constraints in a new

market should be taken into consideration so that cross-border companies can evaluate the product market fit and their abilities to a successful international expansion.

KFC fast food chain is the most profitable fast food brand among the three retailers of Yum! Brands' portfolio. KFC is well-known for its strong brand recognition and wide appearance all over the world thanks to its signature recipe and quality in its chicken dishes. The success of KFC in global marketplaces could not be achieved without its product development and food localization based on the characteristics of each market it operates. In the context of Vietnamese market, KFC has made vital adjustment in its four key marketing elements. In terms of products, KFC decided to keep the original recipe and several signature dishes as they have made up its brand name. At the same time, the retailer has customized and enriched its menu based on local consumers' preferences and dining habits, as well as health requirement. This aspect has asserted a large extent of combination between standardization and adaptation as recommended by several researchers (Vrontis 2003; Theodosiou & Leonidou 2003). However, Service factor, which also belongs to the company's product portfolio, has often been overlooked by these theories. Based on the result of this study, it can be concluded that although KFC has significantly adjusted its products, the company decided to maintain its dining service including self-serving service and machine-based ordering service, they later became key tactics that helped KFC capture consumer's attention in the new market.

Regarding to the company's pricing strategy, KFC has applied appropriate programs to boost the sales of its products and gain customers' loyalty. The company's price tactic has been continuously revised from low-price strategy to optional pricing strategy and combo promotion strategy. In line with the theoretical framework (Vrontis 2003), all the pricing features including price level and discount allowance have been partly designated based on Vietnamese consumers' salary and spending allowance.

Place/Location is another important tactic of KFC's marketing mix, all the restaurants are allocated at popular and convenient sites, such as department stores and supermarkets. In order to be more integrated in people's everyday life, KFC has settled its stores in open-air locations. Additionally, the company has paid attention to its website where customers can easily get familiar with the online order and they can also leave feedback to improve KFC's performance. Although the theoretical framework (Vrontis 2003) tended to underestimate the degree of adaptation in Place/Distribution element, KFC has successfully customized its restaurants' facility thanks to the brand's attention to little details. For instance, the stores are decorated in red, which is considered as lucky color, also, the parking lots are built huge and safe for a large number of motorbikes.

Although the theoretical framework (Vrontis 2003; Vrontis & Kitchen 2005) ranked Promotion in second position to mostly be customized, this factor turned out to be the most useful tactic in KFC's marketing mix. The company utilizes all types of advertising channels and social media in order to achieve a strong presence and promote its activities.

They are also effective on encouraging the customers to try the brand's products and services. The discount voucher method is also applied in order to motivate the consumers to order bigger portions and dine in groups. In keeping with one of the literatures (Vrontis 2003), adaptation strategy adopted by KFC mostly takes effect on sales promotion and it is less evident in advertising in the matter of cost, time and outcome level.

In addition, the giant retailer has found its way to build long-term relationship with consumers by focusing on people's health, welfare and the environment. This concentration is in line with the theoretical framework suggested by Lee and Carter (2009). The authors realized connection between food quality and healthcare, as well as environmental issues created in consumers' mindset. Companies in food industry like KFC should take notice of this matter carefully as it has often been neglected on the issue of material cost and profit.

## **5.2 Managerial implications**

This research serves to analyze marketing mix tactics of KFC fast food operating in Vietnamese market and it can become an implication for related companies working in the same business field such as the ones pursuing their internationalization in food sector. By studying KFC's strategies and its marketing activities in Vietnamese market, other foreign companies can evaluate their strengths and weaknesses, as well as their position in the targeted market so that they have reference to what should be done to achieve their strategic visions.

As proposed in both the theoretical framework and the results of this study, marketers should always keep in mind that in most circumstances the choice of standardization and adaptation strategies is not conflicting, therefore, concentrating extremely on either strategy is not recommended. Moreover, managers are suggested to conduct beforehand research regarding the new business environment when they design their marketing strategies. Also, the focus group's perception towards KFC's marketing mix has proved that the vitality of building marketing communication in fact depends on the appropriate degree of standardization and adaptation. Their extents in the marketing mix should be reviewed regularly due to the fact that the needs and choices of consumers for any products differ greatly based on society and culture. Thus, all cross-border firms in service sectors like KFC fast food should always be aware of upcoming trends and preferences so that they can choose and upgrade suitable strategies for their products and services.

In the focus group interview, there were still some disagreements on the price of KFC's products and services. These contrasting perceptions of Vietnamese consumers could be explained by different personal status in the society. As a result, companies targeting Vietnamese market can benefit from implementing flexible pricing policies, or they can

also lower their price in accordance with differing social classes. Such strategy would potentially satisfy different types of consumers, hence, it could help the firm obtain a broader and more diverse customer base.

The insight of how KFC's marketing strategies are effective in Vietnamese market has conveyed another implication related to an important dimension of national culture. Apparently, people have the likelihood of applying their own groups of culture, beliefs and norms into others in order to assess the situation, the people and the relationship. This behavior results in stereotype towards other cultures. Cross-border marketers may easily fall into this trap while seeking for new marketplaces, as they get used to their own culture and they may not appreciate the diversity of others. Consequently, international marketers face great difficulty in evaluating consumer behavior and buying habit of the local market. This challenge then prevents them from selecting the right tactics for the firms' marketing mix. This issue becomes more alarming in collectivism culture in some countries like Vietnam and China, where people praise social system and harmony in their lives, they also show great respect to relationship and trust among their groups. In these nations, people belong to high-context culture, therefore, they look for faith and understanding before starting any businesses. As a result, building trust and friendship is a basis for successful marketing strategy in collectivism-culturally based market. Managers should observe this significant difference between Vietnamese market and any western markets in order to construct their strategic business plans. By doing so, international firms can gain local insights, and they are able to decide their development path based on local culture trait and consumer habits. This cross-cultural knowledge and toleration are an access key to the leading position of KFC fast food in Vietnamese market, hence, marketing teams from other multinational companies should study and pay attention to.

### **5.3 Limitation of the study and suggestion for future research**

This thesis mainly focuses on the marketing activities of KFC fast food in Vietnamese market regarding how the company executes its marketing tactics. As the size of market is not too large compared to the ones in other countries, it is not possible to discuss the whole global marketing strategies that contribute to the success of KFC in its internationalization process. Additionally, as fast food service segment is still underestimated in Vietnamese market, there is still a shortage of data and statistics in terms of the reality and current business environment of KFC in Vietnam, this problem has made the research less thorough to some extent. However, this issue then could create possibility for future study in terms of other fast food brands and their different strategies implemented in Vietnamese market, provided that the service sector will be more developed, and the researchers will be able to approach more sources of data.



Another limitation of this study can be found in the focus group interview of Vietnamese students living in Turku, Finland. As mentioned earlier, all the interviewees have been far away from home for a long period of time, therefore they had the likelihood to prefer Vietnamese traditional food over foreign food. These personal feelings made them overly appreciate Vietnamese food, local dining custom and culture when comparing them with those in western countries. As a result, they might have given bias answers during the interview and partially change the results of the research. Another opposite pattern might have happened during the interview that some of the students already got used to western fast food, and due to their busy working and study schedules, they selected the quick and convenient fast food meals over Vietnamese food.

The responses collected from the focus group interview were mostly subjective, therefore, they were relatively correct and did not represent the opinion of Vietnamese consumers in general towards KFC. In addition, the analysis of KFC's marketing elements did not embrace the entire marketing strategic vision in global market, therefore, the research case in Vietnam can only be a useful example for any foreign retailers targeting Vietnamese market. Further research could also be conducted by using quantitative method in order to gain a more accurate and statistic insight for this subject matter, at the same time, future researchers are suggested to offer small incentive to respondents in the survey to avoid research bias.

## 6 SUMMARY

Internationalization has become a popular research focus in international business field. Nowadays, the world has turned into borderless, in other words, national boundaries become less relevant thanks to the removal of trade barriers and the development of technology. However, multinational companies are still struggling with finding proper strategies in order to expand their products and services to an unfamiliar market. This is when the debate on global marketing strategy takes place to aim at deciding on the degree of standardization and adaptation.

On one side of the discussion, standardization strategy is recommended in favor of consistency, uniformity and cost-saving, as well as building strong brand value. Nevertheless, with the consideration of all the differences between domestic and foreign markets as well as frequent fluctuation of consumer's demands, it is essential for marketers to adapt their strategies based on local preferences. International brands should not fall extremely into a particular strategy, but rather they should find the balance between their global standardization and localization strategies. This activity allows marketers to combine their marketing mix tactics with environmental conditions, culture and consumers' behavior in the new market.

This thesis examines *the choice of standardization and adaptation strategies in the marketing mix implemented by KFC fast food in a cross-cultural setting, particularly in Vietnamese market*. This topic is chosen because there have been limited researches conducted about Vietnamese market and its service section due to the fact that scope of this market is quite small compared to that in other countries. In addition, little analysis has been conducted in terms of foreign retailers entering Vietnamese food industry, even though this industry is considered as one of the most profitable segments. As Vietnamese market has become more desirable to both local and foreign investors, a research regarding cross-cultural marketing is essential for all related business parties, they can be aware of market's threats and opportunities in order to be well-prepared for future growth. The research purpose mentioned above is then investigated in more details through three research questions:

- 1) To what elements of the marketing mix does the case company adopt standardization strategy in Vietnamese market?
- 2) To what elements of the marketing mix does the case company apply adaptation strategy in Vietnamese market and how?
- 3) How do consumers perceive and evaluate the case company's standardization and adaptation strategies of its marketing mix in Vietnamese market?

As stated in the research purpose, this thesis contributes to the field of international marketing from the viewpoint of primary marketing mix elements – Products, Price, Place/Distribution and Promotion. A theoretical framework is built on existing literature

regarding standardization and adaptation strategies, marketing mix elements and cultural impacts on marketing. The framework is then reviewed throughout the case study with the assistance of data triangulation method. In terms of case study analysis, KFC fast food company is chosen since it is considered as an “early bird” in Vietnamese fast food industry, the brand has brought a whole new dining trend to this market. Moreover, the company has obtained a global profile and a highly recognized brand image by consumers worldwide thanks to its specialized chicken products. In addition, KFC is well-known for its unique and diverse offerings based on specific operating markets including Vietnam.

The outcome of this study highlighted that product adaptation is critical in various sections, but it is considered as a must-used method in food industry due to significant demands and diverse consumer behaviors among regions. According to Lee and Carter (2009, 119), what consumers eat everyday can demonstrate their traditions and way of living. As a result, food chains are recommended to adjust their products and services in order to deal with cultural diversification and local living styles.

This research also affirms Vietnamese market as a lucrative destination for international firms thanks to the country’s emerging growth, open policies for investment, and large population. These factors were more beneficial for KFC when it first entered Vietnamese market as a large number of customers contributed to the product development process, they have become the company’s key material suppliers, co-creators and consumers. Additionally, during the operation in Vietnam, KFC fast food ensures to keep its standardized cooking process and maintain its key chicken dishes which are welcomed by local customers. Simultaneously, the giant retailer has devoted adaptation strategy in each element of its marketing mix as priority in order to serve local consumers and capture their loyalty to gain market position in Vietnam. KFC’s achievement can be attributed to its thorough understanding and appreciation towards Vietnamese culture and consumer behaviors.

In summary, this thesis aims at providing business settings evaluation of Vietnamese market so that multinational companies can adopt their own methods to run business and accomplish their strategic targets there. Through the case of KFC fast food and its proper marketing mix applied in Vietnam, the author hopes that this thesis can be a helpful reference for understanding international marketing in cross-cultural context, more importantly, more and more research and studies on this phenomenon are expected, as well as the interests from investors in doing business in Vietnam.

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## **APPENDICES 1 – INTERVIEW QUESTIONS**

### **PRODUCT AND SERVICES**

1. What do you think about the quality of chicken products offered by KFC?
2. What do you think about the packaging of the products? What types of packaging material do you prefer? Should it be environmentally friendly?
3. Would you prefer Vietnamese local food over KFC fast food, and vice versa?
4. How do KFC's menu meet your expectation/satisfaction regarding the diversity of food choices?
5. What kinds of products and services provided by KFC that you enjoy purchasing?
6. What do you think about customer service and online service provided by KFC?

### **PRICING POLICY**

1. What do you think about the price level set by KFC compared to that by other fast food brands?
2. What do you think about the price level set by KFC compared to that by Vietnamese traditional and street food restaurants?
3. Do you think that the pricing policy implemented by KFC is corresponding to the quality of products and services you expect?

### **LOCATION**

1. How do you feel about the dining environment and atmosphere at KFC restaurants?
2. How easy and convenient for you to access KFC restaurants? What do you think about the transportation, the surroundings, and parking lots around KFC restaurants?

### **PROMOTION CAMPAIGN**

1. What do you think about the offers and discount methods used by KFC?
2. Do the discount amount and products satisfy your demands?
3. How and how often do you receive information or advertisement about KFC's promotion campaign?